

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to ____

Commission File Number: 001-36537

TRUPANION, INC.

(Exact name of registrant as specified in its charter)

Delaware

83-0480694

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

**6100 4th Avenue S, Suite 200
Seattle, Washington 98108
(855) 727 - 9079**

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

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

Title of Each Class

Name of Exchange on Which Registered

Common Stock, \$0.00001 par value per share

NASDAQ Stock Market LLC

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐

Accelerated filer ☒

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

Smaller reporting company ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$280,565,040 using the closing price on that day of \$13.25.

As of February 8, 2017, there were approximately 29,509,841 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE Part III incorporates certain information by reference from the definitive proxy statement to be filed by the registrant in connection with the 2017 Annual Meeting of Stockholders (Proxy Statement). The Proxy Statement will be filed by the registrant with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the registrant's fiscal year ended December 31, 2016.

TRUPANION, INC.
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2016
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Note About Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and section 27A of the Securities Act of 1933, as amended (Securities Act). All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “potentially,” “estimate,” “target,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan” and “expect,” and similar expressions that convey uncertainty of future events or outcomes, are intended to identify forward-looking statements.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I. Item 1A. “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, 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 may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason, except as required by law.

Unless otherwise stated or the context otherwise indicates, references to “Trupanion,” “we,” “us,” “our” and similar references refer to Trupanion, Inc. and its subsidiaries taken as a whole.

PART I

Item 1. Business

Our Mission

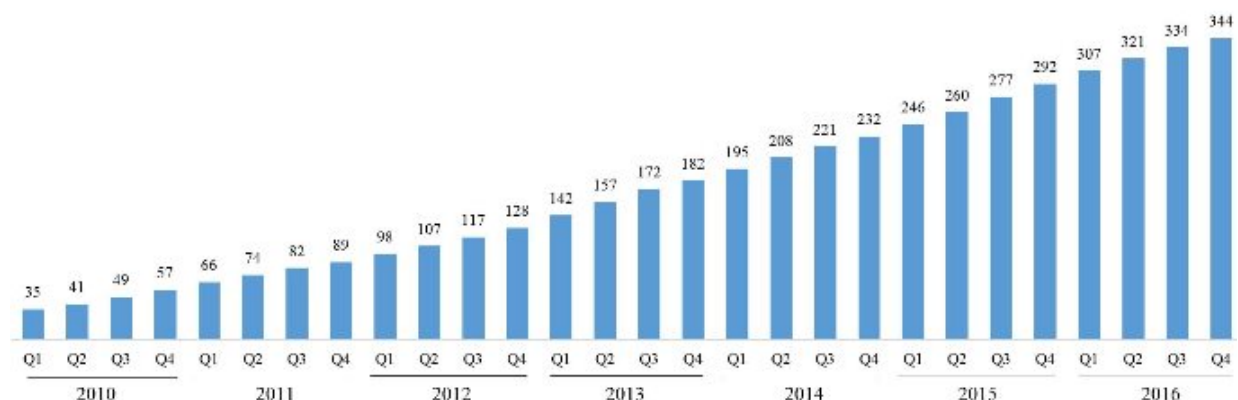
Our mission is to help the pets we all love receive the best veterinary care.

Our Company and Approach

We provide a medical insurance plan for cats and dogs throughout the United States, Canada and Puerto Rico. Our data-driven, vertically-integrated approach enables us to provide pet owners with what we believe is the highest value medical plan for their pets, priced specifically for each pet's unique characteristics. Our growing and loyal member base provides us with highly predictable and recurring revenue. We operate our business similar to other subscription-based businesses, with a focus on maximizing the lifetime value of each pet while sustaining a favorable ratio of lifetime value relative to acquisition cost.

Our target market is large and underpenetrated. We have pioneered a unique solution that sits at the center of the pet medical ecosystem, meeting the needs of pets, pet owners and veterinarians, and we believe we are uniquely positioned to continue to drive market penetration. Our aggregate total pets enrolled grew from 31,207 pets on January 1, 2010 to 343,649 pets on December 31, 2016, which represents a compound annual growth rate of 41%.

Total Pets Enrolled
(in thousands)



Pet owners are often surprised by the cost of veterinary care and can be financially unprepared if their beloved pets become injured or ill. The costs of medical treatments for pets have become more onerous over time due to the availability and usage of increasingly advanced veterinary care. Consequently, pet owners without medical coverage may be forced to accept sub-standard care for their pets due to financial constraints.

To address these challenges, we offer a simple, fair and comprehensive medical plan that pays 90% of actual veterinary costs for injury and illness claims, has no payout limitations, has few exclusions and can be used to cover the costs incurred at any veterinary practice, emergency care center or specialty hospital in the United States, Canada and Puerto Rico. This approach aligns the interests of pet owners and veterinarians, which allows them to focus on providing the best care for pets rather than minimizing the cost of treatment. Some of our key differentiators include:

- **Superior Value Proposition.** Our vertically integrated infrastructure eliminates significant frictional costs that constrain most of our competitors, which allows us to provide superior value to our members.
- **Proprietary Database and Technology Platform.** Our custom-built technology platform and proprietary database contain 17 years of pet health records and give us unique insights into how to both manage our business and accurately price our medical plan subscriptions.
- **Strong Relationship with Veterinary Community.** We have invested significant time and energy communicating our value proposition to thousands of veterinarians. We partner with a nationwide sales force to communicate the benefits of our medical plan to veterinarians through in-person visits; we refer to these partners and their associates, collectively, as our Territory Partners.

- **Trupanion Express™.** Our software solution Trupanion Express™ enables us to pay veterinarian invoices directly, often in less than five minutes, without any paperwork. Trupanion Express™ integrates with veterinarians' practice management software, giving us access to more data, reducing our claims handling expense and giving us the ability to deliver a significantly better experience to our members compared to the traditional reimbursement model.

We believe that these differentiators serve as competitive advantages, making our business model difficult to replicate.

We generate revenue primarily from subscription fees for our medical plan. Our medical plan automatically renews on a monthly basis, and members pay the subscription fee at the beginning of each subscription period. Since 2010, at least 88% of our subscription business revenue every quarter has come from existing members who had active subscriptions at the beginning of the quarter. Due to our focus on providing a superior value proposition and member experience, our members are very loyal, as evidenced by our 98.5% average monthly retention rate since 2010. For more information regarding average monthly retention, including an explanation of how we calculate this metric, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics."

We enrolled our first pet in Canada in 2000 and our first pet in the United States in 2008. Our revenue for the year ended December 31, 2016 was \$188.2 million, representing a compound annual growth rate of 46% from our revenue of \$19.1 million for the year ended December 31, 2010. We have made and expect to continue to make substantial investments in member acquisition and in expanding our operations to support our expected growth. For the year ended December 31, 2016, we had a net loss of \$6.9 million and our accumulated deficit was \$81.3 million at December 31, 2016.

Our Solution

Benefits to Pet Owners

Predictability of costs and peace of mind. Our members can be confident that their pets will be covered in the event of an injury or illness. We pay 90% of the veterinary costs actually charged by the member's chosen veterinarian for all covered claims, less a member's chosen deductible, if any. Our members may obtain treatment from any licensed veterinarian that they select within the United States, Canada or Puerto Rico. Our coverage has no payout limits, is not subject to a lifetime maximum payout, and is not limited by the amount that a veterinarian charges or the treatment that a veterinarian recommends. Our injury and illness coverage is designed to be comprehensive and provide members with the highest value. Generally, the only costs not covered by our plan are those relating to conditions existing prior to the pet's enrollment, routine or preventative care, including examination fees and taxes.

Exceptional member experience. We are highly focused on providing an exceptional member experience. We offer a simple and easy to understand medical plan. We have designed our claims process to be fair, efficient and transparent. We strive to pay vet invoices directly, often in under five minutes.

Benefits to Veterinarians

Freedom to be the most effective advocate for pets. Our medical plan does not limit how much can be paid for an injury or illness. This provides veterinarians with the freedom to practice veterinary medicine at the highest level and be the most effective advocate for the health of the pets.

More loyal client base. Our members visit veterinarians more frequently, which can generate significantly more annual revenue for veterinarians. Furthermore, pet owners with medical coverage typically spend significantly more on their seriously injured or ill pet. The result is a client base that is more engaged, spends more money on care and has healthier cats and dogs.

Our Strategy

Our strategy is focused on attracting and retaining members by providing a best-in-class value and member experience. We are focused on building a successful long-term business by pursuing the following growth strategies:

Increase the number of referring veterinary practices. We intend to increase the number of veterinary practices that are actively introducing our medical plan to their clients.

Increase the number of referrals from active veterinary practices. We intend to continue increasing the number and quality of interactions that we have with veterinarians to accelerate the rate at which active veterinary practices refer us leads.

Increase the number of third-party referrals from members. We are focused on using innovative technologies to further enhance our member experience, which we believe will foster member referrals. For example, Trupanion Express™ is designed to facilitate the direct payment of invoices to veterinary practices. If widely adopted, Trupanion Express™ would transform the claims process and could increase referrals from pet owners and veterinarians acting as ambassadors for our brand.

Improve online lead generation and conversion. We are investing in our online marketing capabilities, and intend to continue to do so in order to fully capture the online opportunity. Our online marketing initiatives have played an integral role in converting leads to enrolled pets and also generate new leads.

Explore other member acquisition channels. We regularly evaluate new member acquisition channels. We intend to aggressively pursue those channels that we believe could, over time, generate an attractive ratio of lifetime value relative to acquisition cost.

Expand internationally. While we are currently focused on capturing the large opportunity in the U.S. and Canadian markets, we may choose to explore international expansion in the future.

Pursue other revenue opportunities. We may opportunistically engage in other revenue opportunities. For example, American Pet Insurance Company, which we acquired in 2007, has written policies for unaffiliated general agents since the end of 2012. We believe we are well positioned to partner with other unaffiliated general agents offering pet insurance products over time.

Sales and Marketing

Marketing to Veterinarians

Veterinary practices represent our largest referral source. Forming long-term relationships with veterinarians is critical to our continued success, as we believe veterinary recommendations are highly persuasive to our existing and prospective members and key to increasing overall acceptance of our medical plan. To reach veterinarians effectively, we utilize a national independent referral network of Territory Partners. Territory Partners serve as a critical resource for us, as the market for veterinary services is highly fragmented and includes many sole-owner veterinary practices and small veterinary practices that are difficult to reach. Our Territory Partners are independent contractors who market our medical plan and are paid fees based on activity in their regions. We believe this compensation structure aligns our interests and provides a platform that we can leverage over time.

Sales and Marketing to Pet Owners

We generate leads through a diverse set of third-party referrals and online member acquisition channels, which we then convert into members through our website and contact center.

- *Referrals from third-parties.* We actively promote the value of our medical plan with veterinarians, veterinary affiliates (including purchasing groups and other veterinary membership organizations), corporate employee benefit providers, and shelters and breeders to introduce our medical plan to their clients.
- *Referrals from existing members.* For the year ended December 31, 2016, 24% of our new pet enrollments were generated from existing members adding a pet or referring their friends and family.
- *Online.* We believe most of our members spend some time researching pet medical coverage online as part of their decision-making process. A significant portion of the members we acquire from online leads come through our paid search marketing, email marketing, social media marketing and search engine optimization initiatives.

Our Platform and Technology

We are a data and technology-driven company that has devoted significant resources to developing scalable infrastructures that leverage state-of-the-art technology frameworks. We have a team of product and engineering professionals dedicated to enhancing our technology platform and developing new solutions for pet owners and veterinarians.

Our team has developed proprietary software that forms the backbone of our unique technology platform:

Analytics and pricing engine. Our dynamic analytics platform draws on our extensive library of proprietary data to effectively and accurately price subscriptions to our medical plan. We leverage a broad range of information, including species, breed, age, gender and pet location. As data collection is a key part of our research and development process, we are constantly looking for new and relevant data to collect and shape for this purpose.

Trupanion Express™. Our software solution for veterinarians facilitates our ability to pay their invoices directly to the veterinarian at the time of service, often in less than five minutes and without any paperwork. Trupanion Express™ integrates with veterinarians' practice management software, giving us access to more data, reducing our claims handling expense and giving us the ability to deliver a significantly better experience to our members compared to the traditional reimbursement model.

Trupanion.com. Our website provides a simple interface between Trupanion, consumer and business audiences, which removes the need for complex steps during the enrollment process. Built using digital asset management and customer relationship management system technologies, the site provides a custom-built user experience for each user based on who the user is and how the user arrived at the site.

Competition

We compete with consumers that self-fund veterinary costs with cash or credit, as well as traditional "pet insurance" providers and new entrants to our market. The vast majority of pet owners in the United States and Canada do not currently have medical coverage for their pets. We are primarily focused on expanding the overall size of the market by improving the value proposition for consumers. We view our primary competitive challenge as educating pet owners on why our medical plan is a better alternative to self-funding.

Additionally, there are traditional insurance companies that provide pet insurance products, either as a stand-alone product or along with a broad range of other insurance products. The largest of these traditional providers is Nationwide (formerly Veterinary Pet Insurance Company), a division of Nationwide Insurance. In addition, new entrants backed by large insurance companies with substantial financial resources have attempted to enter the market in the past and may do so again in the future. Further, traditional providers may consolidate, resulting in the emergence of new providers that are vertically integrated or able to create other operational efficiencies, which could lead to increased competition. We believe that we have competitive strengths that position us favorably related to existing and potential competitors. These include: a superior value proposition for pet owners due in part to our vertically integrated structure that reduces frictional costs, a unique member acquisition strategy using territory partners that has taken 17 years to develop, a proprietary database containing 17 years of historical data that provides actionable data insights, powerful technology infrastructure and an experienced management team.

Intellectual Property

We rely on federal, state, common law and international rights, as well as contractual restrictions, to protect our intellectual property. We control access to our proprietary technology, software and documentation by entering into confidentiality and invention assignment agreements with our employees and partners, and confidentiality agreements with third parties, such as service providers, vendors, individuals and entities that may be exploring a business relationship with us.

In addition to these contractual arrangements, we also rely on a combination of intellectual property rights, including trade secrets, patents, copyrights, trademarks and domain names, as well as contractual protections, to establish and protect our intellectual property. As of December 31, 2016, we had three pending patent applications in the United States, two pending patent applications in Canada, one pending patent application in Brazil, one pending patent application in Japan, one pending patent application in China, one pending patent application in Hong Kong, two pending Patent Cooperation Treaty patents, one pending patent application and one issued patent in Europe. We also had ten registered trademarks in the United States, including "Trupanion". We had one registered trademark in Canada, and four pending trademarks. Many of our unregistered trademarks, however, contain words or terms having a common usage and, as a result, may not be protectable under applicable law. We also currently hold the "Trupanion.com" Internet domain name and numerous other related domain names.

Employees

As of December 31, 2016, we had 450 employees. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Regulation

Each U.S. state, the District of Columbia and U.S. territories and possessions, as well as all of the Canadian provinces, have insurance laws that apply to companies licensed to transact insurance business in the jurisdiction. The primary regulator of an insurance company, however, is located in its state of domicile. Our underwriting subsidiary American Pet Insurance Company (APIC) is domiciled in New York State and its primary regulator is therefore the New York Department of Financial Services (NY DFS). APIC is currently licensed to do business in all 50 states, Puerto Rico and the District of Columbia in the United States. As such, APIC is subject to comprehensive regulation and supervision under U.S. state and federal laws.

State insurance regulators have broad authority with respect to all aspects of the insurance industry, including the following:

- licensing of APIC to transact its line of business and approval and issuance of its certificate of authority;
- establishing minimum levels of capital and reserves required by APIC to operate as an ongoing insurance company;
- assessing the officers and directors of APIC to ensure a minimum level of competency and trustworthiness;
- licensing of individual producers and agents and business entities marketing and selling insurance products and of claims adjusters settling claims;
- admittance of assets to statutory surplus and regulating the type of investments in which APIC can invest;
- regulating premium rate levels for the insurance products APIC offers;
- approving policy forms APIC issues;
- regulating unfair trade and claims practices; and
- establishing reserve requirements and solvency standards.

Regulators also have broad authority to conduct on-site market conduct examinations of our management and operations, marketing and sales, underwriting, customer service, claims handling and licensing. Market conduct examinations can involve direct, on-site contact with a company to identify potential regulatory violations, discuss and correct an identified problem or obtain a better understanding of how the company is operating in the marketplace.

Adverse state insurance regulatory actions could include limiting APIC's ability to write new policies, limiting APIC's ability to effect rate increases or to cancel, reduce or non-renew insurance coverage with respect to existing policies, disallowing premium increases or policy coverage amendments APIC seeks, reviewing the adequacy and appropriateness of our insurance products before they can be made available to our members and restricting marketing and sales by our referral sources, contact centers and producers.

State insurance laws and regulations in the United States require APIC to file financial statements with state insurance regulators everywhere it is licensed and its operations and accounts are subject to examination at any time. APIC's statutorily required financial statements are available to the public. APIC prepares statutory financial statements in accordance with accounting practices and procedures prescribed or permitted by these regulators. The National Association of Insurance Commissioners (NAIC) has approved a series of uniform statutory accounting principles (SAP) that have been adopted, in some cases with minor modifications, by all state insurance regulators. As a basis of accounting, SAP was developed to monitor and regulate the solvency of insurance companies. In developing SAP, insurance regulators were primarily concerned with assuring an insurer's ability to pay all its current and future obligations to policyholders. As a result, statutory accounting focuses on conservatively valuing the assets and liabilities of insurers, generally in accordance with standards specified by the insurer's domiciliary state. The values for assets, liabilities and equity reflected in financial statements prepared in accordance with U.S. generally accepted accounting principles are usually different from those reflected in financial statements prepared under SAP.

In Canada, our plan is written by an unaffiliated Canadian-licensed insurer, Omega General Insurance Company (Omega). Under the terms of our agreements with Omega, our subsidiary Trupanion Brokers Ontario acts as a general agent through a fronting and reinsurance agreement with Omega pursuant to which Trupanion retains any financial risk associated with our Canadian business. Effective January 1, 2015, this agreement was restructured to include our segregated cell business, Wyndham Segregated Account AX (WICL), located in Bermuda. These restructured agreements may be terminated by either party with one year's written notice until they terminate pursuant to their terms on December 31, 2018, at which time they will automatically renew for successive one-year periods and remain terminable by either party with one year's written notice. Omega's Canadian insurance operations are supervised and regulated by the Canadian federal, provincial and territorial governments. Omega is a fully licensed insurer in all of the Canadian provinces and territories in which we do business.

Though we are not directly regulated by the Bermuda Monetary Authority (BMA), WICL's regulation and compliance impacts us as it could have an adverse impact on the ability of WICL to pay dividends. WICL is regulated by the BMA under the Insurance Act of 1978 (Insurance Act) and the Segregated Accounts Company Act of 2000. The Insurance Act imposes on Bermuda insurance companies solvency and liquidity standards, certain restrictions on the declaration and payment of dividends and distributions, certain restrictions on the reduction of statutory capital, and auditing and reporting requirements, and grants BMA the powers to supervise and, in certain circumstances, to investigate and intervene in the affairs of insurance companies. Under the Insurance Act, WICL as a class 3 insurer is required to maintain available statutory capital and surplus at a level equal to or in excess of a prescribed minimum established by reference to net written premiums and loss reserves.

Under the Bermuda Companies Act of 1981, as amended, a Bermuda company may not declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than its liabilities. The Segregated Accounts Company Act of 2000 further requires that dividends out of a segregated account can only be paid to the extent that the cell remains solvent and the value of its assets remain greater than the aggregate of its liabilities and its issued share capital and share premium accounts. Per our contractual agreements with WICL, the allowable dividend to be paid by WICL is equivalent to the positive undistributed profit attributable to the shares.

Insurance Holding Company Regulation

APIC is subject to laws governing insurance holding companies in New York, its state of domicile. These laws impact us in a number of ways, including the following:

- We must file periodic information reports with the NY DFS, including information concerning our capital structure, ownership, financial condition and general business operations.
- New York regulates certain transactions between APIC and our other affiliated entities, including the fee levels payable by APIC to affiliates that provide services to APIC.

- New York law restricts the ability of any one person to acquire certain levels of our voting securities without prior regulatory approval. State insurance holding company regulations generally provide that no person, corporation or other entity may acquire control of an insurance company, or a controlling interest in any parent company of an insurance company, without the prior approval of such insurance company's domiciliary state insurance regulator. Any person acquiring, directly or indirectly, 10% or more of the voting securities of an insurance company is presumed to have acquired "control" of the company. To obtain approval of any change in control, the proposed acquirer must file with the applicable insurance regulator an application disclosing, among other information, its background, financial condition, the financial condition of its affiliates, the source and amount of funds by which it will effect the acquisition, the criteria used in determining the nature and amount of consideration to be paid for the acquisition, proposed changes in the management and operations of the insurance company and other related matters. In considering an application to acquire control of an insurer, the insurance commissioner generally will consider such factors as the experience, competence and financial strength of the applicant, the integrity of the applicant's board of directors and executive officers, the acquirer's plans for the management and operation of the insurer and any anti-competitive results that may arise from the acquisition.
- New York law restricts the ability of APIC to pay dividends to its holding company parent. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval, and dividends in larger amounts, or extraordinary dividends, are subject to approval by the NY DFS. An extraordinary dividend or distribution is defined as a dividend or distribution that, in the aggregate in any 12-month period, exceeds the lesser of (i) 10% of surplus as of the preceding December 31 or (ii) the insurer's adjusted net investment income for such 12-month period, not including realized capital gains.

Financial Regulation of Insurers

Risk-Based Capital Requirements

The NAIC has adopted risk-based capital requirements for life, health and property and casualty insurance companies. Refer to Item 1A. "Risk Factors" for details of these requirements.

NAIC Insurance Regulatory Information System Ratios

The NAIC has developed a set of financial relationships or tests known as the Insurance Regulatory Information System, or IRIS, to assist state regulators in monitoring the financial condition of U.S. insurance companies and identifying companies requiring special attention or action. IRIS consists of a statistical phase and an analytical phase whereby financial examiners review insurers' annual statements and financial ratios. The statistical phase consists of 12 key financial ratios based on year-end data that are generated from the NAIC database annually; each ratio has a "usual range" of results. For IRIS ratio purposes, APIC submits data annually to state insurance regulators who then analyze our data using prescribed financial data ratios. A ratio falling outside the prescribed "usual range" is not considered a failing result. Rather, unusual values are viewed as part of the regulatory early monitoring system. In many cases, it is not unusual for financially sound companies to have one or more ratios that fall outside the usual range. As of December 31, 2016, APIC had two such ratios outside the usual range, relating to net premiums written to surplus and investment yield.

Regulators may investigate or monitor an insurance company if its IRIS ratios fall outside the prescribed usual range. The inquiries made by state insurance regulators into an insurance company's IRIS ratios can take various forms. In some instances, regulators may require the insurance company to provide a written explanation as to the causes of the particular ratios being outside the usual range, management's actions to produce results that will be within the usual range in future years and what, if any, actions the insurance company's domiciliary state insurance regulators have taken. Regulators are not required to take action if an IRIS ratio is outside the usual range, but, depending on the nature and scope of the particular insurance company's exception, regulators may request additional information to monitor going forward and, as a consequence, may take additional regulatory action.

Insurance Guaranty Associations, Residual Markets, Wind Pools and State-specific Reinsurance Mechanisms

Most jurisdictions in which we operate have laws or regulations that require insurance companies doing business in the state to participate in various types of guaranty associations or other similar arrangements designed to protect policyholders from losses under insurance policies issued by insurance companies that become impaired or insolvent. Typically, these associations levy assessments, up to prescribed limits, on member insurers on the basis of the member insurer's proportionate share of the business in the relevant jurisdiction in the lines of business in which the impaired or insolvent insurer is engaged. Some jurisdictions permit member insurers to recover assessments that they paid through full or partial premium tax offsets, usually over a period of years.

Some states in which APIC operates have residual markets, wind pools or state reinsurance mechanisms. The general intent behind these is to provide coverage to individuals and businesses that cannot find coverage in the private marketplace. The intent of state-specific reinsurance mechanisms generally is to stabilize the cost of, and ensure access to, reinsurance for admitted insurers writing business in the state. Historically, APIC has had minimal financial exposure to guaranty associations, residual markets, wind pools and state-specific reinsurance mechanisms; however there is no guarantee that these items will continue to be of low financial impact to APIC.

Licensing of Producers and Other Entities

Insurance agencies, producers, third-party administrators, claims adjusters, service providers and administrators are subject to licensing requirements and regulation by insurance regulators in various jurisdictions in which they conduct business. If any of our subsidiaries, referral sources, contact centers or service providers engage in these functions, they may be subject to licensing requirements and regulation by insurance regulators in various jurisdictions. If a subsidiary, referral source, contact center or service provider does not comply with licensing requirements and regulation by any insurance regulator, such insurance regulator could penalize such entity, including restricting certain activity of such entity.

Federal Initiatives

The U.S. federal government generally does not directly regulate the insurance business. From time to time, various regulatory and legislative changes have been proposed in the insurance industry. Among the proposals that have in the past been, or are at present being, considered are the possible introduction of federal regulation in addition to, or in lieu of, the current system of state regulation of insurers. There have also been proposals in various state legislatures (some of which have been enacted) to conform portions of their insurance laws and regulations to various model acts adopted by the NAIC. The NAIC has undertaken a Solvency Modernization Initiative focused on updating the U.S. insurance solvency regulation framework, including capital requirements, governance and risk management, group supervision, accounting and financial reporting and reinsurance. The NAIC Amendments are a result of these efforts. Additional requirements are also expected.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established a Federal Insurance Office within the U.S. Department of the Treasury. The Federal Insurance Office initially is charged with monitoring all aspects of the insurance industry (other than health insurance, certain long-term care insurance and crop insurance), gathering data and conducting a study on methods to modernize and improve the insurance regulatory system in the United States. It is not possible to predict whether, in what form or in what jurisdictions any of these proposals might be adopted, or the effect federal involvement in insurance will have, if any, on us.

Privacy and Data Collection Regulation

There are numerous federal, state and foreign laws regarding privacy and the protection of member data. The regulatory environment in this area for online businesses is very unsettled in the United States and internationally and new legislation is frequently being proposed and enacted.

In the area of information security and data protection, many states have passed laws requiring notification to users when there is a security breach for personal data or requiring the adoption of minimum information security standards. In addition, our operations subject us to certain payment card association operating rules, certification requirements and rules, including the Payment Card Industry Data Security Standard, a security standard for companies that collect, store or transmit certain data regarding credit and debit cards, credit and debit card holders and credit and debit card transactions.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or obtain and use our technology or data to develop products that may compete with our offerings. Policing unauthorized use of our technology or data is difficult. The laws of other countries in which we market our medical plan may offer little or no effective protection of our proprietary technology. Our competitors could also independently develop technologies equivalent to ours, and our intellectual property rights may not be broad enough for us to prevent competitors from selling products incorporating those technologies.

Companies in our industry and in other industries may own a large number of patents, copyrights and trademarks and may frequently request license agreements, threaten litigation or file suit against us based on allegations of infringement or other violations of intellectual property rights. From time to time, we face, and we expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors. As we face increasing competition and as our business grows, we will likely face more claims of infringement.

Information About Segments and Geographic Revenue

Information about segments and geographic revenue is set forth in Item 8. "Notes to Consolidated Financial Statements" under Note 13 of this Annual Report on Form 10-K. In addition, financial information regarding our operations, assets and liabilities, including our total revenue and net loss for the years ended December 31, 2016, 2015 and 2014 and our total assets as of December 31, 2016 and 2015, is included in Item 8. "Consolidated Financial Statements" of this Annual Report on Form 10-K.

Corporate Information

We were founded in Canada in 2000 as Vetinsurance Ltd. In 2006, we effected a business reorganization whereby Vetinsurance Ltd. became a consolidated subsidiary of Vetinsurance International, Inc., a Delaware corporation. In 2007, we began doing business as Trupanion. In 2013, we formally changed our name from Vetinsurance International, Inc. to Trupanion, Inc. Our principal executive offices are located at 6100 4th Avenue South, Seattle, Washington 98108, and our telephone number is (855) 727-9079. Our website address is www.trupanion.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this Annual Report on Form 10-K.

Available Information

We are required to file annual, quarterly and other reports, proxy statements and other information with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended (Exchange Act). We also make available, free of charge on the investor relations portion of our website at investors.trupanion.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC. You can inspect and copy our reports, proxy statements and other information filed with the SEC at the offices of the SEC's Public Reference Room located at 100 F Street, NE, Washington D.C. 20549 on official business days during the hours of 10 a.m. to 3 p.m. Eastern time. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Rooms. The SEC also maintains an Internet website at www.sec.gov where you can obtain our SEC filings. You can also obtain paper copies of these reports, without charge, by contacting Investor Relations at InvestorRelations@Trupanion.com.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this report, including our consolidated financial statements and related notes, as well as in our other filings with the SEC, in evaluating our business and before investing in our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that are not expressly stated, that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, operating results, financial condition and prospects could be materially harmed. In that event, the price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

We have incurred significant net losses since our inception and may not be able to achieve or maintain profitability in the future.

We have incurred significant net losses since our inception. We had a net loss of \$6.9 million for the year ended December 31, 2016 . Additionally, as of December 31, 2016 , our accumulated deficit was \$81.3 million . We have funded our operations through equity financings, borrowings under a revolving line of credit and term loans and, more recently, positive cash flows from operations. We may not be able to achieve or maintain profitability in the near future or at all. Our recent growth, including our growth in revenue and membership, may not be sustainable or may decrease, and we may not generate sufficient revenue to achieve or maintain profitability. Additionally, our expense levels are based, in significant part, on our estimates of future revenue and many of these expenses are fixed in the short term. As a result, we may be unable to adjust our spending in a timely manner if our revenue falls short of our expectations. Accordingly, any significant shortfall of revenue in relation to our estimates could have an immediate negative effect on our financial results.

We have made and plan to continue to make significant investments to grow our member base. Our average pet acquisition cost and the number of new pets we enroll depends on a number of factors, including the effectiveness of our sales execution and marketing initiatives, changes in costs of media, the mix of our sales and marketing expenditures and the competitive environment. Our average pet acquisition cost has in the past significantly varied and in the future may significantly vary period to period based upon specific marketing initiatives. We also regularly test new member acquisition channels and marketing initiatives, which often are more expensive than our traditional marketing channels and generally increase our average acquisition costs. We plan to expand the number of Territory Partners we use to reach veterinarians and other referral sources and to engage in other marketing activities, including direct to consumer advertising, which are likely to increase our acquisition costs.

We expect to continue to make significant expenditures to maintain and expand our business including expenditures relating to the acquisition of new members, retention of our existing members and development and implementation of our technology platforms. These increased expenditures will make it more difficult for us to achieve and maintain future profitability. Our ability to achieve and maintain profitability depends on a number of factors, including our ability to attract and service members on a profitable basis. If we are unable to achieve or maintain profitability, we may not be able to execute our business plan, our prospects may be harmed and our stock price could be materially and adversely affected.

We base our decisions regarding our member acquisition expenditures primarily on the projected lifetime value of the pets that we expect to acquire. Our estimates and assumptions may not accurately reflect our future results, we may overspend on member acquisition and we may not be able to recover our member acquisition costs or generate profits from these investments.

We invest significantly in member acquisition. We spent \$15.2 million on sales and marketing to acquire new members for the year ended December 31, 2016 . We expect to continue to spend significant amounts to acquire additional members. We utilize Territory Partners, who are paid fees based on activity in their regions, to communicate the benefits of our medical plan to veterinarians through in-person visits. Veterinarians then educate pet owners, who visit our website or call our contact center to learn more about, and potentially enroll in, our medical plan. We also invest in other third-party referrals and direct to consumer member acquisition channels, though we have limited experience with some of them.

We base our decisions regarding our member acquisition expenditures primarily on the lifetime value of the pets that we project to acquire. This analysis depends substantially on estimates and assumptions based on our historical experience with pets enrolled in earlier periods, including our key financial and operating metrics described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics.”

If our estimates and assumptions regarding the lifetime value of the pets that we project to acquire and our related decisions regarding investments in member acquisition prove incorrect, or if the expected lifetime value of the pets that we project to acquire differs significantly from that of pets acquired in prior periods, we may be unable to recover our member acquisition costs or generate profits from our investment in acquiring new members. Moreover, if our member acquisition costs increase or we invest in member acquisition channels that do not ultimately result in any or an adequate number of new member enrollments, the return on our investment may be lower than we anticipate irrespective of the lifetime value of the pets that we project to acquire as a result of the new members. If we cannot generate profits from this investment, we may need to alter our growth strategy, and our growth rate and operating results may be adversely affected.

If we are unable to maintain high member retention rates, our growth prospects and revenue will be adversely affected.

We have historically experienced high average monthly retention rates. For example, our average monthly retention rate was 98.6% in 2016. If our efforts to satisfy our existing members are not successful, we may not be able to maintain our retention rates. Members we obtain through aggressive promotions or other channels that involve relatively less meaningful contact between us and the member may be more likely to terminate their medical plan subscription. In the past, we have experienced reduced retention rates during periods of rapid member growth, as our retention rate generally has been lower during the first year of member enrollment. Members may choose to terminate their medical plan subscription for a variety of reasons, including increased subscription fees, perceived or actual lack of value, delays or other unsatisfactory experiences in claims administration, unsatisfactory member service, an economic downturn, loss of a pet, a more attractive offer from a competitor, changes in our medical plan or other reasons, including reasons that are outside of our control. When a member terminates his or her medical plan subscription, we no longer receive the related revenue and may not be able to recover the member acquisition cost or other expenses, including claims expenses, related to that member. Our cost of acquiring a new member is substantially greater than the cost involved in maintaining our relationship with an existing member. If we are not able to successfully retain existing members and limit medical plan subscription terminations, our revenue and operating margins will be adversely impacted and our business, operating results and financial condition would be harmed.

The prices of our medical plan subscriptions are based on assumptions and estimates and may be subject to regulatory approvals. If our actual experience differs from the assumptions and estimates used in pricing our medical plan subscriptions or if we are unable to obtain any necessary regulatory pricing approvals we need, at all or in a timely manner, our revenue and financial condition could be adversely affected.

The pricing of our medical plan subscriptions reflect expected claim payment patterns derived from assumptions that we make regarding a number of factors, including a pet's species, breed, age, gender and location. Factors related to pet location include the current and assumed changes in the cost and availability of veterinary technology and treatments and local veterinary practice preferences. The prices of our medical plan subscriptions also include assumptions and estimates regarding our own operating costs and expenses. We monitor and manage our pricing and overall sales mix to achieve target returns. Profitability from new members emerges over a period of years depending on the nature and length of time a pet is enrolled in our medical plan, and is subject to variability as actual results may differ from pricing assumptions. If the subscription fees we collect are insufficient to cover actual claim costs, operating costs and expenses within anticipated pricing allowances, or if our member retention rates are not high enough to ensure recovery of member acquisition costs, then our gross profit could be adversely affected and our revenue may be insufficient to achieve profitability. Conversely, if our pricing assumptions differed from actual results such that we overpriced risks, our competitiveness and growth prospects could be adversely affected. Further, even if our pricing assumptions are accurate, we may not be able to obtain the necessary regulatory approvals for any pricing changes that we may determine are appropriate based on our pricing assumptions, which could prevent us from obtaining sufficient revenue from medical plan subscriptions to cover claims expenses, pet acquisition costs and other expenses in any such jurisdiction unless and until such regulatory approvals are obtained in appropriate amounts.

The anticipated benefits of our analytics platform may not be fully realized.

Our analytics platform draws upon our proprietary pet data to price our medical plan subscriptions. The assumptions we make about breeds and other factors in pricing medical plan subscriptions may prove to be inaccurate and, accordingly, these pricing analytics may not accurately reflect the claims expense that we will ultimately incur. Furthermore, if any of our competitors developed similar or better data systems, adopted similar or better underwriting criteria and pricing models or received our data, our competitive advantage could decline or be lost.

Our actual claims expenses may exceed our current reserve established for claims and may adversely affect our operating results and financial condition.

As of December 31, 2016, our claims reserve was \$9.5 million. During 2016, claims exceeded our claims reserve and this may happen again in the future. Our recorded claims reserve is based on our best estimates of claims, both reported and incurred but not reported, after considering known facts and interpretations of circumstances. We consider internal factors, including data from our proprietary data analytics platform, experience with similar cases, actual claims paid, historical trends involving claim payment patterns, pending levels of unpaid claims, claims management programs and contractual terms. We may also consider external factors, including changes in the law, court decisions, changes to regulatory requirements and economic conditions. Because reserves are estimates of the unpaid portion of claims that have occurred, including claims incurred but not reported, the establishment of appropriate reserves is an inherently uncertain and complex process that involves significant subjective judgment. Further, we do not transfer or cede our risk as an insurer and, therefore, we maintain more risk than we would if we purchased reinsurance. The ultimate cost of claims may vary materially from recorded reserves, and such variance may result in adjustments to the claims reserve, which could have a material effect on our operating results.

We rely significantly on Territory Partners, veterinarians and other third parties to recommend our medical plan.

We rely significantly on Territory Partners and other third parties to cultivate direct veterinary relationships and build awareness of the benefits that our medical plan offers veterinarians and their clients. In turn, we rely on veterinarians to introduce and refer our medical plan to their clients. We also rely significantly on other third parties, such as existing members, online and offline businesses, animal shelters, breeders and veterinary affiliates, including veterinarian purchasing groups and associations, to help generate leads for our medical plan subscriptions. Veterinary practices represent our largest member acquisition channel, accounting for approximately 71% of our enrollments excluding existing members adding pets and referring their friends and family in the year ended December 31, 2016.

Many factors influence the success of our relationships with these referral sources, including:

- the continued positive market presence, reputation and growth of our company and of the referral sources;
- the effectiveness of referral sources;
- the decision of any such referral source to support one or more of our competitors;
- the interest of the referral sources' customers or clients in the medical plan we offer;
- the relationship and level of trust between Territory Partners and veterinarians, and between us and the referral source;
- the percentage of the referral sources' customers or clients that submit applications or use trial certificates to enroll in a medical plan through our website or contact center;
- our ability to implement or maintain any marketing programs, including trial certificates, in any jurisdiction; and
- our ability to work with the referral source to implement any changes in our marketing initiatives, including website changes, infrastructure and technology and other programs and initiatives necessary to generate positive consumer experiences.

In order for us to implement our business strategy and grow our revenue, we must effectively maintain and increase the number and quality of our relationships with Territory Partners, veterinarians and other referral sources, and continue to scale and improve our processes, programs and procedures that support them. Those processes, programs and procedures could become increasingly complex and difficult to manage. We expend significant time and resources attracting qualified Territory Partners and providing them with complete and current information about our business. Their relationship with us may be terminated at any time, and, if terminated, we may not recoup the costs associated with educating them about our medical plan or be able to maintain any relationships they may have developed with veterinarians within their territories. Further, if we experience an increase in the rate at which Territory Partner relationships are terminated, we may not develop or maintain relationships with veterinarians as quickly as we have in the past. If the financial cost to maintain our relationships with Territory Partners outweighs the benefits provided by Territory Partners, or if they feel unsupported or undervalued by us and terminate their relationship with us, our growth and financial performance could be adversely affected.

The success of our relationships with veterinary practices depends on the overall value our medical plan can provide to veterinarians. If the scope of our medical plan coverage is perceived to be inadequate or our claims settlement process is unsatisfactory to the veterinarians' clients because, for example, our coverage is insufficient, member requests for reimbursement are denied or we fail to timely settle and pay veterinary invoices, veterinarians may be unwilling to recommend our medical plan to their clients and they may encourage their existing clients who have subscribed to our medical plan to stop subscribing to our medical plan or to purchase a competing product. If veterinarians determine our medical plan is unreliable, cumbersome or otherwise does not provide sufficient value, they may terminate their relationship with us or begin recommending a competing product, which could negatively impact our ability to increase our member base and grow our business.

If we fail to establish or are unable to maintain successful relationships with Territory Partners, veterinarians and other referral sources, or experience an increase in the rate at which any of these relationships are terminated, it could negatively impact our ability to increase and retain our member base and our financial results. If we are unable to maintain our existing member acquisition channels and/or continue to add new member acquisition channels, if the cost of our existing sources increases or does not scale as we anticipate, or if we are unable to continue to use any existing channels or programs in any jurisdiction, including our trial certificate program, our member levels and sales and marketing expenses may be adversely affected.

Territory Partners are independent contractors and, as such, may pose additional risks to our business.

Territory Partners are independent contractors and, accordingly, we do not directly provide the same direction, motivation and oversight over Territory Partners as we otherwise could if Territory Partners were our own employees. Territory Partners may decide not to participate in our marketing initiatives or training opportunities, accept our introduction of new solutions or comply with our policies and procedures applicable to the Territory Partners, any of which may adversely affect our ability to develop relationships with veterinarians and grow our membership. Our sole recourse against Territory Partners who fail to perform is to terminate their contract, which could also trigger contractually obligated termination payments or result in disputes, including threatened or actual legal or regulatory proceedings. In addition, termination of these contracts may trigger termination penalties that obligate us to pay significantly more than the amounts that otherwise would have been paid to the terminated Territory Partner.

We believe that Territory Partners are not and should not be classified as employees under existing interpretations of the applicable laws of the jurisdictions in which we operate. We do not pay or withhold any employment tax with respect to or on behalf of Territory Partners or extend any benefits to them that we generally extend to our employees, and we otherwise treat Territory Partners as independent contractors. Applicable authorities or the Territory Partners have in the past questioned and may in the future challenge this classification. Further, the applicable laws or regulations, including tax laws or interpretations, may change. If it were determined that we had misclassified any of our Territory Partners, we may be subjected to penalties and/or be required to pay withholding taxes, extend employee benefits, provide compensation for unpaid overtime, or otherwise incur substantially greater expenses with respect to Territory Partners.

Any of the foregoing circumstances could have a material adverse impact on our operating results and financial condition.

Our member base has grown rapidly in recent periods, and we may not be able to maintain the same rate of membership growth.

Our ability to grow our business and to generate revenue depends significantly on attracting new members. For the year ended December 31, 2016, we generated 92% of our revenue from medical plan subscriptions. In order to continue to increase our membership, we must continue to offer a medical plan that provides superior value to our members. Our ability to continue to grow our membership will also depend in part on the effectiveness of our sales and marketing programs. Our member base may not continue to grow or may decline as a result of increased competition or the maturation of our business.

We may not maintain our current rate of revenue growth.

Our revenue has increased quickly and substantially in recent periods. We believe that our continued revenue growth will depend on, among other factors, our ability to:

- improve our market penetration through efficient and effective sales and marketing programs to attract new members;
- maintain high retention rates;
- increase the lifetime value per pet to, in turn, enable us to spend more on sales and marketing programs;
- maintain positive relationships with veterinarians and other referral sources, and convince them to recommend our medical plan;
- maintain positive relationships with and increase the number and efficiency of Territory Partners;
- continue to offer a superior value medical plan with competitive features and rates;
- accurately price our medical plan subscriptions in relation to actual membership claims costs and operating expenses and achieve required regulatory approval for pricing changes;
- provide our members with superior member service, including a timely and efficient claims experience and by recruiting, integrating and retaining skilled and experienced claims personnel who can appropriately and efficiently adjudicate member claims;
- generate new and maintain existing relationships and programs in our other business segment;
- recruit, integrate and retain skilled, qualified and experienced sales department professionals who can demonstrate our value proposition to new and existing members;
- react to changes in technology and challenges in the industry, including from existing and new competitors;

- increase awareness of and positive associations with our brand; and
- successfully respond to any regulatory matters and defend any litigation.

You should not rely on our historical rate of revenue growth as an indication of our future performance.

Our use of capital may be constrained by risk-based capital regulations or contractual obligations.

Our subsidiary, American Pet Insurance Company, is subject to risk-based capital regulations that require us to maintain certain levels of surplus to support our overall business operations in consideration of our size and risk profile. We have in the past and may in the future fail to maintain the amount of risk-based capital required to avoid additional regulatory oversight, which was \$25.8 million as of December 31, 2016. To comply with these regulations and our related contractual obligations, we may be required to maintain capital that we would otherwise invest in our growth and operations, which may require us to modify our operating plan or marketing initiatives, delay the implementation of new solutions or development of new technologies, decrease the rate at which we hire additional personnel and enter into relationships with Territory Partners, incur indebtedness or pursue equity or debt financings or otherwise modify our business operations, any of which could have a material adverse effect on our operating results and financial condition.

We are also subject to a contractual obligation related to the Company's reinsurance agreement with Omega. Under this agreement, the Company is required to fund a Canadian Trust account in accordance with Canadian regulations. As of December 31, 2016, the account held CAD \$2.1 million.

Unexpected increases in the severity or frequency of claims may negatively impact our operating results.

Unexpected changes in the severity or frequency of claims may negatively impact our operating results. Changes in claims severity are driven primarily by inflation in the cost of veterinary care and the increasing availability and usage of expensive, technologically advanced medical treatments. Increases in claims severity also could arise from unexpected events that are inherently difficult to predict, such as a pandemic that spreads through the pet population, tainted pet food or supplies or an unusually high number of serious injuries or illnesses. We may experience volatility in claim frequency from time to time, and short-term trends may not continue over the longer term. The frequency of claims may be affected by the level of care and attentiveness an owner provides to the pet, the pet's breed and age and other factors outside of our control, as well as fluctuations in member retention rates and by new member initiatives that encourage more frequent claims and other new member acquisition activities. A significant increase in claim severity or frequency could increase our cost of revenue and have a material adverse effect on our financial condition.

Changes in the Canadian currency exchange rate may adversely affect our revenue and operating results.

We offer our medical plan in Canada, which exposes us to the risk of changes in the Canadian currency exchange rates. As of December 31, 2016, approximately 20% of our total revenue was generated in Canada. Fluctuations in the relative strength of the Canadian economy and the Canadian dollar has in the past and could in the future adversely affect our revenue and operating results.

Our success depends on our ability to adjust member claims timely and accurately.

We must accurately evaluate and timely pay member claims in a manner that gives our members high satisfaction. Many factors can affect our ability to pay member claims accurately, and in a timely manner that gives our members high satisfaction, including the training, experience and skill of our personnel, our ability to reduce the number of claims requests made for non-covered conditions and ineligible invoice items, the department's culture and the effectiveness of its management, our ability to develop or select and implement appropriate procedures, technologies and systems to support our member claims functions and changes in our policy coverage. Our failure to pay claims requests fairly, accurately and in a timely manner, or to deploy resources appropriately, could result in unanticipated costs to us, lead to material litigation, undermine member goodwill and our reputation, and impair our brand image and, as a result, materially and adversely affect our competitiveness, financial results, prospects and liquidity.

We may not identify fraudulent or improperly inflated claim submissions.

It is possible that a member, or a third-party on behalf of the member, could submit a claim for reimbursement that appears authentic but in fact does not reflect services provided or products purchased for which the member paid. It is also possible that veterinarians will charge insured customers higher amounts than they would charge their non-insured clients for the same service or product. Such activity could lead to unanticipated claims costs to us and/or to time and expense to recover such costs. They could also lead to strained relationships with veterinarians and/or members, and could adversely affect our competitiveness, financial results and liquidity.

We are and will continue to be faced with many competitive challenges, any of which could adversely affect our prospects, operating results and financial condition.

We compete with pet owners that self-finance unexpected veterinary invoices with savings or credit, as well as traditional "pet insurance" providers and relatively new entrants into our market. The vast majority of pet owners in the United States and Canada do not currently have medical coverage for their pets. We are focused primarily on expanding the overall size of the market, and we view our primary competitive challenge as educating pet owners on why our medical plan is a better alternative to self-financing.

Additionally, there are traditional insurance companies that provide pet insurance products, either as a stand-alone product or along with a broad range of other insurance products. The largest of these traditional "pet insurance" providers is Nationwide Pet (formerly Veterinary Pet Insurance Company), a division of Nationwide Insurance. They are now offering a product designed to appear similar to ours. In addition, new entrants backed by large insurance companies have attempted to enter the pet insurance market in the past and may do so again in the future. Further, traditional "pet insurance" providers may consolidate, resulting in the emergence of new providers that are vertically integrated or able to create other operational efficiencies, which could lead to increased competition.

Some of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, technical, marketing and other resources than we do. Some of our competitors may be able to undertake more extensive marketing initiatives for their brands and services, devote more resources to website and systems development and make more attractive offers to potential employees, referral sources and third-party service providers.

To compete effectively, we will need to continue to invest significant resources in sales and marketing, in improving the service at our contact center and claims department, in the online experience and functionalities of our website and in other technologies and infrastructure. Failure to compete effectively against our current or future competitors could result in loss of current or potential members, medical plan subscription terminations or a reduction in member retention rates, which could adversely affect our pricing, lower our revenue and prevent us from achieving or maintaining profitability. We may not be able to compete effectively for members in the future against existing or new competitors, and the failure to do so could result in loss of existing or potential members, increased sales and marketing expenses or diminished brand strength, any of which could harm our business.

If we are not successful in cost-effectively converting visitors to our website and contact center into members, our business and operating results would be harmed.

Our growth depends in large part upon growth in our member base. We seek to convert consumers who visit our website and call our contact center into members. The rate at which consumers visiting our website and contact center seeking to enroll in our medical plan are converted into members is a significant factor in the growth of our member base. A number of factors have influenced, and could in the future influence, the conversion rates for any given period, some of which are outside of our control. These factors include:

- the competitiveness of the medical plan we offer, including its perceived value, coverage, simplicity and fairness;
- changes in consumer shopping behaviors due to circumstances outside of our control, such as economic conditions and consumers' ability or willingness to pay for a pet medical plan;
- the quality of and changes to the consumer experience, including on our website or with our contact center or claims department;
- regulatory requirements, including those that make the experience on our website cumbersome or difficult to navigate or that hinder our call center or claims department's ability to speak with potential members quickly and in a way that is conducive to converting leads, enrolling new pets, and/or resolving member concerns;
- system failures or interruptions in the operation of our abilities to write policies or operate our website or contact center; and
- changes in the mix of consumers who are referred to us through various member acquisition channels, such as veterinary referrals, existing members adding a pet and referring their friends and family members and other third-party referrals and online member acquisition channels.

Our ability to convert consumers into members can be impacted by a change in the mix of referrals received through our member acquisition channels. In addition, changes to our website or contact center, or other programs or initiatives we undertake, may adversely impact our ability to convert consumers into members at our current rate, or at all. These changes may have the unintended consequence of adversely impacting our conversion rates. A decline in the percentage of members who enroll in our medical plan on our website or telephonically through our contact center also could result in increased member acquisition costs. To the extent the rate at which we convert consumers into members suffers, the growth rate of our member base may decline, which would harm our business, operating results and financial condition.

We have made and plan to continue to make substantial investments in features and functionality for our website and training and staffing for our contact center that are designed to generate traffic, increase member engagement and improve new and existing member service. These activities do not directly generate revenue, however, and we may never realize any benefit from these investments. If the expenses that we incur in connection with these activities do not result in sufficient growth in members to offset the cost, our business, operating results and financial condition will be adversely affected.

If we are unable to maintain and enhance our brand recognition and reputation, our business and operating results will be harmed.

We believe that maintaining and enhancing our brand recognition and reputation is critical to our relationships with existing members, Territory Partners, veterinarians and other referral sources, and to our ability to attract new members, new Territory Partners, additional supportive veterinarians and other referral sources. We also believe that the importance of our brand recognition and reputation will continue to increase as competition in our market continues to develop and mature. Our success in this area will depend on a wide range of factors, some of which are out of our control, including the following:

- the efficacy and viability of our sales and marketing programs;
- the perceived value of our medical plan;
- quality of service provided by our contact center and claims professionals, including the fairness, ease and timeliness of our claims administration process;
- actions of our competitors, Territory Partners, veterinarians and other referral sources;
- positive or negative publicity, including regulatory pronouncements and material on the Internet or social media;
- regulatory and other government-related developments; and
- litigation-related developments.

The promotion of our brand may require us to make substantial investments, and we anticipate that, as our market becomes increasingly competitive, these branding initiatives may become increasingly difficult and expensive. Our brand promotion activities may not be successful or yield increased revenue, and to the extent that these activities result in increased revenue, the increased revenue may not offset the expenses we incur and our operating results could be harmed. If we do not successfully maintain and enhance our brand, our business may not grow and our relationships with veterinarians and other referral sources could be terminated, which would harm our business, operating results and financial condition.

Furthermore, negative publicity, whether or not justified, relating to events or activities attributed to us, our employees, our strategic partners, our affiliates, or others associated with any of these parties, may tarnish our reputation and reduce the value of our brands. Damage to our reputation and loss of brand equity may reduce demand for our services and have an adverse effect on our business, operating results, and financial condition. Moreover, any attempts to rebuild our reputation and restore the value of our brands may be costly and time consuming, and such efforts may not ultimately be successful.

Our business depends on our ability to maintain and scale the infrastructure necessary to operate our technology platform and could be adversely affected by a system failure.

Our business depends on our ability to maintain and scale the infrastructure necessary to operate our technology platform, which includes our analytics and pricing engine, claims management systems, customer relationship management system, contact center phone system and website. We use these technology frameworks to price our medical plan subscriptions, enroll members, engage with current members and administer member claims under our medical plan. Additionally, our members review and purchase subscriptions to our medical plan and submit reimbursement requests through our website and contact center. Our reputation and ability to acquire, retain and serve our members depends on the reliable performance of our technology platform and the underlying network systems and infrastructure, and on providing best-in-class member service, including through our contact center and website. As our member base continues to grow, the amount of information collected and stored on the systems and infrastructure supporting our technology platform will continue to grow, and we expect to require an increasing amount of network capacity, computing power and information technology personnel to develop and maintain our technology platform and service our departments involved in member interaction.

We have made, and expect to continue to make, substantial investments in equipment and related network infrastructure to handle the operational demands on our technology platform, including increasing data collection, software development, traffic on our website and the volume of calls at our contact center. The operation of the systems and infrastructure supporting our technology platform is expensive and complex and could experience operational failures. In the event that our data collection, member base or amount of traffic on these systems grows more quickly than anticipated, we may be required to incur significant additional costs to increase the capacity in our systems. Any system failure that causes an interruption in or decreases the responsiveness of our services could impair our revenue-generating capabilities, harm our business and operating results and damage our reputation. In addition, any loss or mishandling of data could result in breach of confidence, competitive disadvantage or loss of members, and subject us to potential liability. Any failure of the systems and infrastructure that we rely on could negatively impact our enrollments as well as our relationship with members. If we do not maintain or expand the systems and infrastructure underlying our technology platform successfully, or if we experience operational failures, our reputation could be harmed and we could lose current and potential members, which could harm our operating results and financial condition.

We have made, and expect to continue to make, significant investments in new solutions and enhancements to our technology platform. These new solutions and enhancements may not be successful, and we may not recognize the expected benefits.

We have a team of product and engineering professionals dedicated in part to enhancing our technology platform and developing new solutions. We have made, and expect to continue to make, significant investments in these new solutions and enhancements. For example, we have made significant investments in Trupanion Express™, which is designed to facilitate the direct payment of invoices to veterinary practices. These development and implementation activities may not be successful, and we may incur delays or cost overruns or elect to curtail our currently planned expenditures related to them. Further, if or when these new solutions or enhancements are introduced, they may not be well received by veterinarians or by new or existing members, particularly if they are costly, cumbersome or unreliable. Even if they are well-received, they may be or become obsolete due to technological reasons or to the availability of alternative solutions in the marketplace. If new solutions and enhancements are not successful on a long-term basis, we may not recognize benefits from these investments, and our business and financial condition could be adversely affected.

If we fail to effectively manage our growth, our business, operating results and financial condition may suffer.

We have recently experienced, and expect to continue to experience, significant growth, which has placed, and may continue to place, significant demands on our management and our operational and financial systems and infrastructure. We expect that our growth strategy will require us to commit substantial financial, operational and technical resources. It may also result in increased costs, including unexpected increases in our underlying costs (such as member acquisition costs or the frequency or severity of claims costs) generated by our new business, which could prevent us from becoming profitable and could impair our ability to compete effectively for pet medical plan business. Additionally, we have in the past, and may in the future, experience increases in medical plan subscription terminations as our membership grows, which negatively affects our retention rate. If we do not effectively manage growth at any time, our financial condition could be harmed and the quality of our services could suffer.

In order to successfully expand our business, we need to hire, integrate and retain highly skilled and motivated employees. We also need to continue to improve our existing systems for operational and financial management. These improvements could require significant capital expenditures and place increasing demands on our management. We may not be successful in managing or expanding our operations or in maintaining adequate financial and operating systems and controls. If we do not successfully implement improvements in these areas, our business, operating results and financial condition will be harmed.

Our operating results may vary, which could cause the trading price of our stock to fluctuate or decline, make period-to-period comparisons less meaningful, and make our future results difficult to predict.

We may experience fluctuations in our revenue, expenses and operating results in future periods. Our operating results may fluctuate in the future as a result of a number of factors, many of which are beyond our control. These fluctuations may lead analysts to change their long-term models for valuing our common stock, cause us to face short-term liquidity issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could result in declines in our stock price. Moreover, these fluctuations may make comparing our operating results on a period-to-period basis less meaningful and make our future results difficult to predict. You should not rely on our past results as an indication of our future performance. In addition, if revenue levels do not meet our expectations, our operating results and ability to execute on our business plan are likely to be harmed. In addition to the other factors listed in this “Risk Factors” section, factors that could affect our operating results include the following:

- our ability to retain our current members and grow our member base;
- the level of operating expense we elect to incur related to sales and marketing and technology and development initiatives that are discretionary in nature;

- the effectiveness of our sales and marketing programs;
- our ability to improve veterinarians' and other third-parties' willingness to recommend our medical plan;
- the timing, volume and severity of our claims and the adequacy of our claims reserve;
- our ability to accurately price our medical plans and achieve required regulatory pricing approvals;
- regulatory limitations or other constraints on our ability or our willingness to implement pricing changes;
- the level of demand for and the cost of our medical plan subscriptions or those of our competitors;
- fluctuations in applicable foreign currency exchange rates;
- the perceived value of our medical plan to veterinarians and pet owners;
- spending decisions by our members and prospective members;
- our costs and expenses, including pet acquisition costs and claims expenses;
- our ability to expand the scope and efficiency of our Territory Partner network;
- our ability to effectively manage our growth;
- the effects of increased competition in our business;
- our ability to keep pace with changes in technology and our competitors;
- the impact of any security incidents or service interruptions;
- costs associated with defending any regulatory action or litigation or with enforcing our intellectual property, contractual or other rights;
- the impact of economic conditions on our revenue and expenses; and
- changes in government regulation affecting our business.

Seasonal or periodic variations in the behavior of our members also may cause fluctuations in our financial results. Enrollment in our medical plan tends to be discretionary in nature and may be sporadic, reflecting overall economic conditions, budgeting constraints, pet-buying patterns and a variety of other factors, many of which are outside our control. For example, we expect to experience some effects of seasonal trends in visits to veterinarians in the fourth quarter and in the beginning of the first quarter of each year in connection with the traditional holiday season. While we believe seasonal trends have affected and will continue to affect our quarterly results, our growth may have overshadowed these effects to date. We believe that our business will continue to be subject to seasonality in the future, which may result in fluctuations in our financial results.

Due to these and other factors, our financial results for any quarterly or annual period may not meet our expectations or the expectations of investors or analysts that follow our stock and may not be meaningful indications of our future performance.

Our vertical integration may result in higher costs.

We manage all aspects of our business, including writing our medical plan, implementing our own national independent referral network of Territory Partners, pricing our medical plan subscriptions with our in-house actuarial team, administering claims made with respect to our medical plan, operating our own contact center and owning our own brand. While we believe this vertically integrated approach reduces frictional costs and enhances members' experiences, third-party providers may, now or in the future, be able to replicate this model, partially or entirely, on a more efficient and effective basis. If our in-house services are or become less efficient or less effective than the same services provided by a third party, we may not realize the related cost savings and may be unable to provide a superior membership experience, which may have an adverse effect on our operating results.

Our forecasts of market growth may prove to be inaccurate, and even if the market for medical coverage for cats and dogs in North America achieves the forecasted growth, our business may not grow at similar rates, if at all.

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates, which may not prove to be accurate. Although we believe that the North American market for pet medical coverage will grow over time if consumers are offered a high-value product, the market for medical coverage for cats and dogs in North America has been historically growing slowly or stagnant and may not be capable of growing further. Even if this market experiences significant growth, we may not grow our business at similar rates, or at all. For example, the market for medical coverage for cats and dogs in North America has been highly competitive and may become even more competitive in the future. Our growth is subject to many factors, including our success in implementing our business strategy and maintaining our position in a highly competitive market, which are subject to many risks and uncertainties.

We depend on key personnel to operate our business and, if we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.

Our success depends to a significant extent on the continued services of our current management team, including Darryl Rawlings, our founder and Chief Executive Officer. The loss of Mr. Rawlings or several other key executives or employees within a short time frame could have a material adverse effect on our business. We employ all of our executive officers and key employees on an at-will basis, and their employment can be terminated by us or them at any time, for any reason and without notice, subject, in certain cases, to severance payment rights. In order to retain valuable employees, in addition to salary and cash incentives, we have provided stock options and restricted stock that vest over time and may in the future grant equity awards tied to company performance. The value to employees of stock options and restricted stock that vest over time will be significantly affected by movements in our stock price that are beyond our control and may at any time be insufficient to maintain their retention benefit or counteract offers from other companies. Additionally, if we were to lose a large percentage of our current employees in a relatively short time period, or our employees were to engage in a work stoppage or unionize, we may be unable to hire and train new employees quickly enough to prevent disruptions in our operations, which may result in the loss of members, Territory Partners or referral sources.

Our success also depends on our ability to attract, retain and motivate additional skilled management personnel. We plan to continue to expand our work force, which we believe will enhance our business and operating results. We believe that there is significant competition for qualified personnel with the skills and knowledge that we require. Many of the other companies with which we compete for qualified personnel have greater financial and other resources than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than those we have to offer. If we are unable to attract and retain the necessary qualified personnel to accomplish our business objectives, we may experience constraints that will significantly impede the achievement of our business objectives and our ability to pursue our business strategy. New hires require significant training and, in most cases, take significant time before they achieve full productivity. New employees may not become as productive as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals. If our recruiting, training and retention efforts are not successful or do not generate a corresponding increase in revenue, our business will be harmed.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork and focus that contribute crucially to our business.

Our culture is fundamental to our success and defines who we are and how we operate our business. We were founded on a deep appreciation of the special relationship between pet owners, their beloved pets and their trusted veterinarians. We have invested substantial time, energy and resources in developing a culture that fosters teamwork, innovation, creativity and a focus on providing value for our members as well as for Territory Partners and veterinarians. As we develop our infrastructure while we grow, we may find it difficult to maintain these valuable aspects of our corporate culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain personnel, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

We depend on relationships with strategic partners, and our inability to maintain our existing and secure new relationships with strategic partners could harm our revenue and operating results.

A portion of our enrollment leads are attributable to a variety of different types of strategic partnership arrangements. These partnerships involve various risks, depending on their structure, including the following:

- we may be unable to maintain or secure favorable relationships with strategic partners;
- our strategic partners may not be successful in creating leads;
- our strategic partners could terminate their relationships with us;
- we may not experience a consistent correlation between revenues and expenditures related to the partnership, and
- bad publicity and other issues faced by our strategic partners could negatively impact us.

Our business and financial condition is subject to risks related to our writing of policies pursuant to contractual relationships with unaffiliated third parties.

Our other business segment generally includes revenues and expenses involving contractual relationships with unaffiliated third parties and marketing to enterprises. We have relatively limited experience in writing policies for unaffiliated third parties. This business is not expected to grow at the same rate as our core business and may decline. Changes to this business may be volatile due to the nature of the relationships. Further, this business historically has had, and we expect it to continue to have, lower margins than our core business. As a result of this line of business, we are subject to additional regulatory requirements and scrutiny, which increase our costs, risks and may have an adverse effect on our operations. Further, administration of this business and any similar business in the future may divert our time and attention away from our core business, which could adversely affect our operating results in the aggregate.

For example, we have written pet insurance policies for general agents since 2012. These policies provide different coverage and are subject to materially different terms and conditions than the Trupanion medical plan. Further, the unaffiliated general agents administer these policies and market them to consumers. For the year ended December 31, 2016, premiums from these policies accounted for 5.8% of our total revenue. These relationships can be terminated by either party and, if terminated, would result in a reduction in our revenue to the extent we cannot enter other relationships and generate equivalent revenues with different general agents. In addition, the general agents control trust accounts they maintain on our behalf. If the general agents make operating decisions that adversely affect its business or brand, our business or brand could also be adversely affected.

In Canada, our medical plan is written by Omega General Insurance Company (Omega). If Omega were to terminate its underwriting arrangement with us, our business could be adversely affected.

In Canada, our medical plan is written by Omega, and we assume all premiums written by Omega and the related claims through an agency agreement and a fronting and administration agreement. These agreements will remain in effect until December 31, 2017 but may be terminated by either party with one year's prior written notice. If Omega were to terminate our agreement or be unable to write insurance for regulatory or other reasons, we may have to terminate subscriptions with our existing members, or suspend member enrollment and renewals, in Canada until we entered into a relationship with another third party to write our medical plan, which may take a significant amount of time and require significant expense. We may not be able to enter into a new relationship, and any new relationship would likely be on less favorable terms. Any delay in entry into a new relationship or suspension of member enrollment and renewals could have a material adverse effect on our operating results and financial condition.

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

We are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting, which must be attested to by our independent registered public accounting firm to the extent we no longer qualify for the exemption provided to an emerging growth company, as defined by The Jumpstart Our Business Startups Act of 2012 (JOBS Act).

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

If our security measures are breached and unauthorized access is obtained to our data, including our members' data, we may lose our competitive advantage, our systems may be perceived as not being secure and we may incur third-party liability.

Our data repository contains proprietary information that we believe gives us a competitive advantage, including claims data and other data with respect to members, Territory Partners, veterinarians and other third parties. Security breaches could expose us to a risk of loss of our data and/or disclosure of this data, either publicly or to a third party who could use the information to gain a competitive advantage. In the event of a loss of our systems or data, we could experience increased costs or delays, which in turn may harm our financial condition, damage our brand and result in the loss of members. Such a disclosure also could lead to litigation and possible liability.

In the course of operating our business, we may store and/or transmit our members' confidential information, including credit card and bank account numbers and other private information. Security breaches could expose us to a risk of loss of this information, litigation and possible liability. Our payment services may be susceptible to credit card and other payment fraud schemes, including unauthorized use of credit cards, debit cards or bank account information, identity theft or merchant fraud.

If our security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to our data, including data of our members, our reputation may be damaged, our business may suffer and we could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security occurs, the public perception of the effectiveness of our security measures could be harmed and we could lose members, which would adversely affect our business.

Any legal liability, regulatory penalties or negative publicity we encounter, including based on the information on our website or that we otherwise distribute or provide, directly or through Territory Partners or other referral sources, could harm our business, operating results and financial condition.

Any legal disputes or regulatory penalties involving us may be publicly announced, which could materially harm our reputation and adversely affect our business. We also provide information on our website, through our contact center and in other ways regarding pet health, the pet insurance industry in general and our medical plan, including information relating to subscription fees, coverage, benefits, exclusions, limitations, availability and medical plan comparisons. A significant amount of both automated and manual effort is required to maintain the medical plan information on our website. Separately, from time to time, we use the information provided on our website and otherwise collected by us to publish reports designed to educate consumers. For example, we produce a significant amount of marketing materials regarding our medical plan. If the information we provide on our website, through our contact centers or otherwise is not accurate or is construed as misleading, or if we improperly assist individuals in purchasing subscriptions to our medical plan, our members, competitors or others could attempt to hold us liable for damages, our relationships with veterinarians and other referral sources could be terminated and regulators could attempt to subject us to penalties, revoke our licenses to transact business in one or more jurisdictions or compromise the status of our licenses to transact our business in other jurisdictions, which could result in our loss of revenue. In the ordinary course of operating our business, we may receive complaints that the information we provided was not accurate or was misleading. These types of claims could be time-consuming and expensive to defend, could divert our management's attention and other resources and could cause a loss of confidence in our business. As a result, whether or not we are able to successfully resolve these claims, they could harm our business, operating results and financial condition.

We are subject to a number of risks related to accepting automatic fund transfers and credit card and debit card payments.

We accept payments of subscription fees from our members through automatic fund transfers and credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in the number of members who utilize credit and debit cards to pay their subscription fees or related credit and debit card fees would reduce our margins and could require us to increase the subscription fees for our medical plan, which could cause us to lose members and revenue, or suffer an increase in our operating expenses, either of which could adversely affect our operating results.

If we, or any of our processing vendors or banks have problems with our billing software, or if the billing software malfunctions, it could have an adverse effect on our member satisfaction and could cause one or more of the major credit card companies or banks to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our members' credit cards on a timely basis or at all, or a bank withdraws the incorrect amount or fails to timely transfer the correct amount to us, we could lose revenue and harm our member experience, which could adversely affect our business and operating results. Moreover, a vendor could fail to process payments, or could process payments in the wrong amounts, which could result in us failing to collect premiums, could result in increased cancellations and could adversely affect our reputation.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, including the Payment Card Industry Data Security Standard (PCI DSS), a security standard applicable to companies that collect, store or transmit certain data regarding credit and debit cards, holders and transactions. In the past we may not have been, we currently are not and in the future we may not be, fully or materially compliant with PCI DSS. Any failure to comply fully or materially with the PCI DSS now or at any point in the future may violate payment card association operating rules, federal and state laws and regulations, and the terms of our contracts with payment processors and merchant banks. Such failure to comply fully or materially also may subject us to fines, penalties, damages and civil liability, and may result in the loss of our ability to accept credit and debit card payments. In addition, there is no guarantee that PCI DSS compliance, if we are able to become compliant, will prevent illegal or improper use of our payment systems or the theft, loss or misuse of data pertaining to credit and debit cards, credit and debit card holders and credit and debit card transactions.

If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher credit card-related costs, each of which could adversely affect our business, operating results and financial condition.

If we are unable to maintain our chargeback rate at acceptable levels, our credit card fees for chargeback transactions, or our fees for many or all categories of credit and debit card transactions, credit card companies and debit card issuers may increase our fees or terminate their relationship with us. Any increases in our credit card and debit card fees could adversely affect our operating results, particularly if we elect not to raise our subscription fees. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

Failure to adequately protect our intellectual property could substantially harm our business and operating results.

We rely on a combination of intellectual property rights, including trade secrets, copyrights, trademarks and domain names, as well as contractual restrictions, to establish and protect our intellectual property. As of December 31, 2016, we had three pending patent applications in the United States, two pending patent applications in Canada, one pending patent application in Brazil, one pending patent application in Japan, one pending patent application in China, one pending patent application in Hong Kong, two pending patents filed under the Patent Cooperation Treaty, and one pending patent application and one issued patent in Europe. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy our digital content, pricing analytics, technology, software, branding and functionality, or obtain and use information that we consider proprietary. Moreover, policing our proprietary rights is difficult and may not always be effective. If we continue to expand internationally, we may need to enforce our rights under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of the United States, which may be expensive and divert management's attention away from other operations.

Our digital content is not protected by any registered copyrights or other registered intellectual property. Rather, our digital content is protected by statutory and common law rights, user agreements that limit access to and use of our data and by technological measures. Compliance with use restrictions is difficult to monitor, and our proprietary rights in our digital content databases may be more difficult to enforce than other forms of intellectual property rights.

As of December 31, 2016, we had ten registered trademarks in the United States, including "Trupanion". We had one registered trademark in Canada, and four pending trademarks. Many of our unregistered trademarks, however, contain words or terms having a common usage and, as a result, may not be protectable under applicable law. Trademark protection may also not be available, or sought by us, in every country in which our medical plan may become available. Competitors may adopt names similar to ours, or purchase our trademarks and confusingly similar terms as keywords in Internet search engine advertising programs, thereby impeding our ability to build brand identity and possibly confusing members. Moreover, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate marks similar to our trademarks.

We may take action, including initiating litigation, to protect our intellectual property rights and the integrity of our brand, and these efforts may prove costly, ineffective and increase the likelihood of counterclaims against us.

We currently hold the "Trupanion.com" Internet domain name and numerous other related domain names. Domain names generally are regulated by Internet regulatory bodies. If we lose the ability to use a domain name in the United States, Canada or any other country, we may be forced to acquire domain names at significant cost or, in the alternative, be forced to incur significant additional expenses to market our medical plan, including the development of a new brand and the creation of new promotional materials, which could substantially harm our business and operating results. The regulation of domain names in the United States, Canada and in other foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize the "Trupanion" name in all of the countries in which we currently intend to conduct business.

We seek to control access to our proprietary technology, software and documentation by entering into confidentiality and invention assignment agreements with our employees and partners, confidentiality agreements with third parties, such as service providers, vendors, individuals and entities that may be exploring a business relationship with us, and terms of use with third parties, such as veterinary hospitals desiring to use our technology, software and documentation. These agreements may not prevent disclosure of intellectual property, trade secrets and/or other confidential information, and may not provide an adequate remedy in the event of misappropriation of trade secrets or any unauthorized disclosure of trade secrets and other confidential information. In addition, others may independently discover trade secrets and confidential information and, in such cases, we may not be able to assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our intellectual property rights and related confidentiality and nondisclosure provisions, and failure to obtain or maintain trade secret protection, or our competitors being able to obtain our trade secrets or to independently develop technology similar to ours or competing technologies, could adversely affect our competitive business position.

Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights, to protect our domain names and to determine the validity and scope of the proprietary rights of others. Our efforts to enforce or protect our proprietary rights may be ineffective, could result in substantial costs and diversion of resources and could substantially harm our operating results.

Assertions by third parties of infringement or other violation by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

Third parties have in the past and may in the future claim that our services infringe or otherwise violate their intellectual property rights. We may be subject to legal proceedings and claims, including claims of alleged infringement by us of the intellectual property rights of third parties. Any dispute or litigation regarding intellectual property could be expensive and time consuming, regardless of the merits of any claim, and could divert our management and key personnel from our operations.

If we were to discover or be notified that our services potentially infringe or otherwise violate the intellectual property rights of others, we may need to obtain licenses from these parties in order to avoid infringement. We may not be able to obtain the necessary licenses on acceptable terms, or at all, and any such license may substantially restrict our use of the intellectual property. Moreover, if we are sued for infringement and lose the lawsuit, we could be required to pay substantial damages or be enjoined from offering the infringing services. Any of the foregoing could cause us to incur significant costs and prevent us from selling or properly administering subscriptions to our medical plan or performing under our other contractual relationships.

We rely on third parties to provide intellectual property and technology necessary for the operation of our business.

We utilize intellectual property and technology owned by third parties in developing and operating our technology platform and operating our business. From time to time, we may be required to renegotiate with these third parties or negotiate with other third parties to include or continue using their intellectual property or technology in our existing technology platform or business operations or in modifications or enhancements to our technology platform or business operations. We may not be able to obtain the necessary rights from these third parties on commercially reasonable terms, or at all, and the third-party intellectual property and technology we use or desire to use may not be appropriately supported, maintained or enhanced by the third parties. If we are unable to obtain the rights necessary to use or continue to use third-party intellectual property and technology in our operations, or if those third parties are unable to support, maintain and enhance their intellectual property and technology, we could experience increased costs or delays, which in turn may harm our financial condition, damage our brand and result in the loss of members.

Our technology platform and our data are also hosted by a third-party service provider. The terms under which such third-party service provider provides us services may change and we may be required to renegotiate with that third party. If we are unable to renegotiate satisfactory terms, we may not be able to transition to an alternative service provider without interrupting the availability of our technology platform and any interruption could materially and adversely affect our business. Additionally, if our third-party service provider experiences any disruptions, outages or catastrophes, or if it ceases to conduct business for any reason, we could experience an interruption in our business, which in turn may damage our brand, result in a loss of members and harm our financial condition.

The outcome of litigation or regulatory proceedings could subject us to significant monetary damages, restrict our ability to conduct our business, harm our reputation and otherwise negatively impact our business.

From time to time, we have been, and in the future may become, subject to litigation, claims and regulatory proceedings and inquiries, including market conduct examinations and investigations by state insurance regulatory agencies.

We cannot predict the outcome of these actions or proceedings, and the cost of defending such actions or proceedings could be material. Further, defending such actions or proceedings could divert our management and key personnel from our business operations. If we are found liable in any action or proceeding, we may have to pay substantial damages or fines, or change the way we conduct our business, either of which may have a material adverse effect on our business, operating results, financial condition and prospects. There may also be negative publicity associated with litigation or regulatory proceedings that could harm our reputation or decrease acceptance of our services. These claims may be costly to defend and may result in assessment of damages, adverse tax consequences and harm to our reputation.

Covenants in the credit agreement governing our revolving line of credit may restrict our operations, and if we do not effectively manage our business to comply with these covenants, our financial condition could be adversely affected.

The credit agreement governing our revolving line of credit contains various restrictive covenants, including restrictions on our ability to dispose of our assets, change the name, location, office or executive management of our business, merge with or acquire other entities, incur other indebtedness, incur encumbrances, pay dividends or make distributions to holders of our capital stock, make investments, engage in transactions with our affiliates, permit withdrawals from APIC (with certain exceptions) and conduct operations in certain of our Canadian subsidiaries. Our credit agreement also contains financial covenants, including having APIC maintain statutory capital and surplus at all times of not less than the greater of \$0.5 million or 110% of the highest amount of statutory capital and surplus required in any state in which APIC is licensed, maintaining a minimum unrestricted cash balance of \$0.6 million in our accounts at Western Alliance Bank (WAB) and/or one or more WAB affiliates, maintaining all of our depository and operating accounts at WAB and/or one or more WAB affiliates, maintaining all of our depository and operating accounts at WAB, achieving certain monthly revenue and remaining within certain maximum EBITDA loss levels. Our ability to meet these restrictive covenants can be affected by events beyond our control, and we have been in the past, and may be in the future, unable to do so. In addition, our failure to maintain effective internal controls to measure compliance with our financial covenants could affect our ability to take corrective actions on a timely basis and could result in our being in breach of these covenants. Our credit agreement provides that our breach or failure to satisfy certain covenants constitutes an event of default. Upon the occurrence of an event of default, our lenders could elect to declare any future amounts outstanding under our credit agreement to be immediately due and payable. If we are unable to repay those amounts, our financial condition could be adversely affected.

Any indebtedness we incur could adversely affect our business and limit our ability to expand our business or respond to changes, and we may be unable to generate sufficient cash flow to satisfy any of our debt service obligations.

As of December 31, 2016, we had \$5.0 million outstanding indebtedness. We may incur indebtedness in the future, including any additional borrowings available under our revolving line of credit. Any substantial indebtedness and the fact that a substantial portion of our cash flow from operating activities could be needed to make payments on this indebtedness could have adverse consequences, including the following:

- reducing the availability of our cash flow for our operations, capital expenditures, future business opportunities and other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate, which could place us at a competitive disadvantage compared to our competitors that may have less debt;
- limiting our ability to borrow additional funds; and
- increasing our vulnerability to general adverse economic and industry conditions.

Our ability to borrow any funds needed to operate and expand our business will depend in part on our ability to generate cash. Our ability to generate cash is subject to the performance of our business, as well as general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may also need to borrow additional funds to support risk-based capital requirements related to growth. If our business does not generate sufficient cash flow from operating activities or if future borrowings are not available to us, under our revolving credit facility or otherwise, in amounts sufficient to enable us to fund our liquidity needs, our operating results, financial condition and ability to expand our business and meet our risk-based capital requirements may be adversely affected.

Our financial results may be negatively affected if we are required to pay income tax, premium tax, transaction tax or other taxes in jurisdictions where we are currently not collecting and reporting tax.

We currently pay income tax, premium tax, transaction tax and other taxes in certain jurisdictions in which we do business. A successful assertion by one or more jurisdictions that we should be paying income, premium, transaction or other taxes on our income or in connection with enrollment in our medical plan or intercompany services, or the enactment of new laws requiring the payment of income, premium, transfer or other taxes in connection with our business operations, including enrollment in our medical plan or intercompany services, could result in substantial tax liabilities. Our voluntary disclosure of tax obligations and any future assertions by any jurisdiction that we should be paying taxes may create increased administrative burdens or costs, require payment of substantial fines and penalties, discourage consumers from enrolling in our medical plan, reduce our operational efficiencies, decrease our ability to compete or otherwise substantially harm our business and operating results.

If consumer acceptance of the Internet as an acceptable marketplace for a pet medical plan does not continue to increase, our growth prospects will be harmed.

Our success depends in part on widespread consumer acceptance of the Internet as a marketplace for the purchase of a pet medical plan. Internet use may not continue to develop at historical rates, and consumers may not continue to use the Internet to research, select and purchase a pet medical plan. In addition, the Internet may not be accepted as a viable resource for a number of reasons, including lack of security of information or privacy protection, possible disruptions, computer viruses or other damage to Internet servers or to users' computers, and excessive governmental regulation.

Our success will depend, in large part, on third parties maintaining the Internet infrastructure to provide a reliable network backbone with the speed, data capacity, security and hardware necessary for reliable Internet access and services.

We depend in part on Internet search engines to attract potential new members to visit our website. If Internet search engines' methodologies are modified or our search result page rankings decline for other reasons, our new member growth could decline, and our business and operating results could be harmed.

We derive a significant amount of traffic to our website from consumers who search for pet medical insurance through Internet search engines, such as Google, Bing and Yahoo!. A critical factor in attracting consumers searching for pet medical insurance on the Internet to our website is whether we are prominently displayed in response to an Internet search relating to pet insurance. Algorithmic search result listings are determined and displayed in accordance with a set of formulas or algorithms developed by the particular Internet search engine, which may change from time to time. If we are listed less prominently in, or removed altogether from, search result listings for any reason, the traffic to our websites would decline and we may not be able to replace this traffic, which in turn would harm our business, operating results and financial condition. If we decide to attempt to replace this traffic, we may be required to increase our sales and marketing expenditures, including by utilizing paid search advertising, which would also increase our pet acquisition costs and harm our business, operating results and financial condition.

Changes in the economy may negatively impact our business, operating results and financial condition.

Our business may be affected by changes in the economic environment. Pet medical plans are a discretionary purchase, and members may reduce or eliminate their discretionary spending during an economic downturn, resulting in an increase in medical plan subscription terminations and a reduction in the number of new member enrollments. We may experience a material increase in medical plan subscription terminations or a material reduction in our member retention rate in the future, especially in the event of a prolonged recessionary period or a downturn in economic conditions. Conversely, consumers may have more income to pay veterinary costs out-of-pocket and less desire to purchase a pet medical plan during a period of economic growth. In addition, media prices may increase during a period of economic growth, which could increase our sales and marketing expenses. As a result, our business, operating results and financial condition may be significantly affected by changes in the economic environment.

We may acquire other companies or technologies, which could divert our management’s attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.

We may decide to acquire businesses, products and technologies. Our ability to successfully make and integrate acquisitions is unproven. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. Further, even if we successfully acquire additional businesses or technologies, we may not be able to migrate the policyholders to our medical plan, integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business or technology. In addition, we may unknowingly inherit liabilities from future acquisitions that arise after the acquisition and are not adequately covered by indemnities. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. If an acquired business or technology fails to meet our expectations, our business, operating results and financial condition may suffer.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2016, we had U.S. federal net operating loss carryforwards of approximately \$79.0 million that will begin to expire in 2027. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” generally occurs if there is a cumulative change in our ownership by “5-percent stockholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Pursuant to Sections 382 and 383 of the Internal Revenue Code, annual use of the Company’s net operating loss carryforwards and credit carryforwards may be limited if the Company experiences an ownership change. As of December 31, 2016, we believe the utilization of approximately \$0.5 million of net operating losses are subject to limitation as a result of prior ownership changes however subsequent ownership changes may further affect the limitation in future years.

We may explore opportunities to expand our operations globally, and we may therefore become subject to a number of risks associated with international expansion and operations.

As part of our growth plan, we expect to explore opportunities to expand our operations globally. We have no history of marketing, selling, administering and supporting our medical plan to consumers outside of the United States, Canada and Puerto Rico. International sales and operations are subject to a number of risks, including the following:

- regulatory rules and practices, foreign exchange controls, tariffs, tax laws and treaties that are different than those we operate under in the United States, Canada and Puerto Rico and that carry a greater risk of unexpected changes;
- the costs and resources required to modify our technology and sell our medical plan in non-English speaking countries;
- the costs and resources required to modify our medical plan appropriately to suit the needs and expectations of residents and veterinarians in such foreign countries;
- our data analytics platform may have limited applicability in foreign countries, which may impact our ability to develop adequate underwriting criteria and accurately price subscriptions to our medical plan in such countries;
- increased expenses incurred in establishing and maintaining office space and equipment for our international operations;
- technological incompatibility;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business;
- difficulties in attracting and retaining personnel with experience in international operations;
- difficulties in modifying our business model in a manner suitable for any particular foreign country, including any modifications to our Territory Partner model to the extent we determine that our existing model is not suitable for use in foreign countries;
- our lack of experience in marketing to consumers and veterinarians, and encouraging online marketing, in foreign countries;
- our relative lack of industry connections in many foreign countries;
- difficulties in managing operations due to language barriers, distance and time zone differences, staffing, cultural differences and business infrastructure constraints, including difficulty in obtaining foreign and domestic visas;
- application of foreign laws and regulations to us, including more stringent or materially different insurance, employment, consumer and data protection laws;

- the uncertainty of protection for intellectual property rights in some countries;
- greater risk of a failure of foreign employees to comply with applicable U.S. and foreign laws, including antitrust regulations, the U.S. Foreign Corrupt Practices Act and any trade regulations ensuring fair trade practices; and
- general economic and political conditions in these foreign markets.

These factors and other factors could harm our ability to gain future international revenue and, consequently, materially impact our business and operating results. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources, detracting from management attention and financial resources otherwise available to our existing business. Our failure to successfully manage our international operations and the associated risks effectively could limit the future growth of our business and could have an adverse effect on our operating results and financial condition.

A downgrade in the financial strength rating of our insurance company may have an adverse effect on our competitive position, the marketability of our medical plan, and/or on our liquidity, access to and cost of borrowing, operating results and financial condition.

Although we do not believe that the financial strength rating of APIC is material for customers or to understand our business beyond what is already publicly available, financial strength ratings can be important factors in establishing the competitive position of insurance companies and generally have an effect on an insurance company's business. On an ongoing basis, rating agencies review the financial performance and condition of APIC and could downgrade or change the outlook on its ratings due to, for example, a change in its statutory capital, a change in the rating agency's determination of the amount of risk-based capital required to maintain a particular rating or a reduced confidence in management or its business strategy, as well as a number of other considerations that may or may not be under our control. The insurance financial strength rating of APIC is subject to quarterly review, and APIC may not retain the current rating. A downgrade in this or any future ratings could have a material effect on our sales, our competitiveness, the marketability of our medical plan, our liquidity, access to and cost of borrowing, operating results and financial condition.

Our business is subject to the risks of earthquakes, floods, fires and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.

Our systems and operations are vulnerable to damage or interruption from earthquakes, human error, intentional bad acts, hurricanes, floods, fires, power losses, telecommunications failures, hardware and system failures, terrorist attacks, acts of war, break-ins or similar events. For example, our corporate headquarters and facilities are located in Seattle, Washington near known earthquake fault zones and are vulnerable to significant damage from earthquakes. In addition, acts of terrorism could cause disruptions in our business or the economy as a whole. Our servers and systems may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential member data. We currently have limited disaster recovery capability, and our business interruption insurance may be insufficient to compensate us for losses that may occur. Such disruptions could negatively impact our ability to run our business, which could have an adverse effect on our operating results and financial condition.

Risks Related to Compliance with Laws and Regulations

We may not maintain the amount of risk-based capital required to avoid additional regulatory oversight, which may adversely affect our ability to operate our business.

Memberships in our U.S. medical plan are written by APIC. APIC is an insurance company domiciled in the state of New York and licensed by the New York Department of Financial Services. Regulators in the states in which we do business impose risk-based capital requirements on APIC that generally are approved by the National Association of Insurance Commissioners to ensure APIC maintains reasonably appropriate levels of surplus to protect our members against adverse developments in APIC's financial circumstances, taking into account the risk characteristics of our assets, liabilities and certain other items. Generally, the NY DFS will compare, on an annual basis as of December 31 or more often as deemed necessary, an insurer's total adjusted capital and surplus against what is referred to as an "Authorized Control Level" of risk-based capital that is calculated based on a formula designed to estimate an insurer's capital adequacy. There generally are five outcomes possible from this comparison, depending on the insurer's level of risk-based capital as compared to the applicable Authorized Control Level.

- *No Action Level* : Insurer's total adjusted capital is equal to or greater than 200% of the Authorized Control Level.

- *Company Action Level* : Insurer's total adjusted capital is less than 200% but greater than 150% of the Authorized Control Level. When at this level, an insurer must prepare and submit a financial plan to the NY DFS for review and approval. Generally, a risk-based capital plan would identify the conditions that contributed to the Company Action Level and include the insurer's proposed plans for increasing its risk-based capital in order to satisfy the No Action Level. The failure to provide the NY DFS with a risk-based capital plan on a timely basis or the inability of the NY DFS and the insurer to mutually agree on an appropriate risk-based capital plan could trigger a Regulatory Action Level outcome, subject to the insurer's right to a hearing on the issue.
- *Regulatory Action Level* : Insurer's total adjusted capital is less than 150% but greater than 100% of the Authorized Control Level. When at this level, an insurer generally must provide a risk-based capital plan to the NY DFS and be subject to examination or analysis by the NY DFS to the extent it deems necessary, including such corrective actions as the NY DFS may require.
- *Authorized Control Level* : Insurer's total adjusted capital is less than 100% but greater than 70% of the Authorized Control Level. At this level, the NY DFS generally could take remedial actions that it determines necessary to protect the insurer's assets, including placing the insurer under regulatory control.
- *Mandatory Control Level* : Insurer's total adjusted capital is less than 70% of the Authorized Control Level. At this level, the NY DFS generally is required to take steps to place the insurer under regulatory control, even if the insurer is still solvent.

As of December 31, 2016, APIC was required to maintain at least \$25.8 million of risk-based capital to satisfy the No Action Level (the highest of the above levels). As of December 31, 2016, APIC maintained \$30.5 million of risk-based capital. The NY DFS may increase the required levels of risk-based capital in the future, and we anticipate that we will need to maintain greater amounts of risk-based capital if our pet enrollment continues to grow.

Additionally, if our risk-based capital falls below the Company Action Level, we may be in breach of various contractual relationships, including, for example, with the unaffiliated general agents for which we write pet insurance policies, which may give such parties the ability to cancel their contracts with us and/or sue us for damages related to our risk-based capital levels, which could have a material adverse effect on our financial condition.

We may require additional capital to meet our risk-based capital requirements, pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us at any time, our business, operating results and financial condition may be harmed.

We may require additional capital to meet our risk-based capital requirements, operate or expand our business or respond to unforeseen circumstances. Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If we raise additional funds through the issuance of equity or convertible securities, the percentage ownership of holders of our common stock could be significantly diluted and these newly issued securities may have rights, preferences or privileges senior to those of holders of our common stock. Further, volatility in the credit or equity markets may have an adverse effect on our ability to obtain debt or equity financing or the cost of such financing. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient and, in such case, we may not be able to successfully obtain additional financing on favorable terms. If funds are unavailable to us on reasonable terms when we need them, we may be unable to meet our risk-based capital requirements, train and support our employees, support Territory Partners, maintain the competitiveness of our technology, pursue business opportunities, service our existing debt, pay claims or acquire new members, any of which could have an adverse effect on our business, operating results and financial condition.

If we fail to comply with the numerous laws and regulations that are applicable to the sale of a pet medical plan, our business and operating results could be harmed.

The sale of a pet medical plan, which is considered a type of property and casualty insurance in most jurisdictions, is heavily regulated by each state in the United States, in the District of Columbia, in Puerto Rico and by Canadian federal, provincial and territorial governments. In the United States, state insurance regulators are charged with protecting policyholders and have broad regulatory, supervisory and administrative powers over our business practices. Because we do business in all 50 states, the District of Columbia, all Canadian provinces and territories and Puerto Rico, compliance with insurance-related laws, rules and regulations is difficult and imposes significant costs on our business. Each jurisdiction's insurance department typically has the power, among other things, to:

- grant and revoke licenses to transact insurance business;
- conduct inquiries into the insurance-related activities and conduct of agents and agencies and others in the sales, marketing and promotional channels;
- require and regulate disclosure in connection with the sale and solicitation of insurance policies;

- authorize how, by which personnel and under what circumstances insurance premiums can be quoted and published and an insurance policy sold;
- approve which entities can be paid commissions from carriers and the circumstances under which they may be paid;
- regulate the content of insurance-related advertisements, including web pages, and other marketing practices;
- approve policy forms, require specific benefits and benefit levels and regulate premium rates;
- impose fines and other penalties; and
- impose continuing education requirements.

While the U.S. federal government does not directly regulate the insurance industry, federal legislation and administrative policies can also affect us. Congress and various federal agencies periodically discuss proposals that would provide for federal oversight of insurance companies. We cannot predict whether any such laws will be enacted or the effect that such laws would have on our business. We also do business in all ten provinces and three territories of Canada. The provincial and territorial insurance regulators have the power to regulate the market conduct of insurers and insurance intermediaries, and the licensing and supervision of insurance agents, brokers, and adjusters, along with enforcement rights, including the right to assess administrative monetary penalties in certain provinces.

Insurance companies are also regulated at the federal level in Canada, and the Insurance Companies Act prohibits a foreign entity from insuring risks in Canada unless it is authorized by an Order made by the Superintendent of Financial Institutions (Canada) permitting it to do so.

Due to the complexity, periodic modification and differing interpretations of insurance laws and regulations, we have not always been, and we may not always be, in compliance with them. New insurance laws, regulations and guidelines also may not be compatible with the manner in which we market and sell subscriptions to our medical plan in all of our jurisdictions and member acquisition channels, including over the Internet. Failure to comply with insurance laws, regulations and guidelines or other laws and regulations applicable to our business could result in significant liability, additional department of insurance licensing requirements, the revocation of licenses in a particular jurisdiction or our inability to sell subscriptions to our medical plan, which could significantly increase our operating expenses, result in the loss of our revenue and otherwise harm our business, operating results and financial condition.

Moreover, an adverse regulatory action in one jurisdiction could result in penalties and adversely affect our license status or reputation in other jurisdictions, including due to the current requirement that adverse regulatory actions in one jurisdiction be reported to other jurisdictions. Even if the allegations in any regulatory or other action against us ultimately are determined to be unfounded, we could incur significant time and expense defending against the allegations, and any related negative publicity could harm consumer and third-party confidence in us, which could significantly damage our brand.

In addition, we have received, and may in the future receive, inquiries from regulators regarding our marketing and business practices. These inquiries may include investigations regarding a number of our business practices, including the manner in which we market and sell subscriptions to our medical plan and the manner in which we write policies for any unaffiliated general agent. Any modification of our marketing or business practices in response to regulatory inquiries could harm our business, operating results or financial condition.

A regulatory environment that limits rate increases may adversely affect our operating results and financial condition.

Many states, including New York, have adopted laws or are considering proposed legislation that, among other things, limit the ability of insurance companies to effect rate increases or to cancel, reduce or not renew insurance coverage with respect to existing policies, and many state regulators have the power to reduce, or to disallow increases in premium rates. Most states, including New York, require licensure and regulatory approval prior to marketing new insurance products. Our practice has been to regularly reevaluate the price of our medical plan subscriptions, with any pricing changes implemented at least annually, subject to the review and approval of the state regulators, who may reduce or disallow our pricing changes. Such review has often in the past resulted, and may in the future result, in delayed implementation of pricing changes and prevent us from making changes we believe are necessary to achieve our targeted claims payout ratio, which could adversely affect our operating results and financial condition. In addition, we may be prevented by regulators from limiting significant pricing changes, requiring us to raise rates more quickly than we otherwise may desire. This could damage our reputation with our members and reduce our retention rates, which could significantly damage our brand, result in the loss of expected revenue and otherwise harm our business, operating results and financial condition.

In addition to regulating rates, certain states have enacted laws that require a property-casualty insurer, which includes a pet insurance company, conducting business in that state to participate in assigned risk plans, reinsurance facilities, joint underwriting associations (JUAs), Fair Access to Insurance Requirements (FAIR) plans and wind pools. In these markets, if the state reinsurance facilities, wind pools, FAIR plans or JUAs recognize a financial deficit, they may in turn have the ability to assess participating insurers, adversely affecting our operating results and financial condition if we are a part of such state reinsurance facilities, wind pools, FAIR plans or JUAs. Additionally, certain states require insurers to participate in guaranty funds for impaired or insolvent insurance companies. These funds periodically assess losses against all insurance companies doing business in the state. Our operating results and financial condition could be adversely affected by any of these factors.

Regulations that require individuals or entities that sell pet insurance to be licensed may be interpreted to apply to our business, which could require us to modify our business practices.

Insurance regulators generally require that each individual who transacts pet insurance business on our behalf must maintain a valid license in one or more jurisdictions. These requirements are subject to a variety of interpretations between jurisdictions. We may not interpret and apply the requirements in the same manner as all applicable regulators, and, even if we have, the requirements or regulatory interpretations of those requirements may change. Regulators have in the past and may in the future determine that any of our personnel or referral sources were selling subscriptions to our medical plan on our behalf and need to be licensed in a particular jurisdiction. If such persons were not in fact licensed in any such jurisdiction, we could become subject to conviction for an offense or the imposition of an administrative penalty and liable for significant penalties and would likely be required to modify our business practices and sales and marketing programs, or license the affected individuals, which may be impractical or costly and time-consuming to implement. Any modification of our business or marketing practices in response to regulatory licensing requirements could harm our business, operating results or financial condition.

Most insurance legislation requires entities that solicit the sale of pet insurance to be validly licensed in the applicable jurisdiction. If an insurance regulator were to determine that any entity soliciting the sale of a medical plan on our behalf did not hold the required license, we may have to modify our business practices or marketing efforts, or license the affected entities, which may be costly and time-consuming to implement.

We are subject to numerous laws and regulations, and compliance with one law or regulation may result in non-compliance with another.

We are subject to numerous laws and regulations that are administered and enforced by a number of different governmental authorities, each of which exercises a degree of interpretive latitude, including, in the United States, state insurance regulators, state securities administrators, state attorneys general and federal agencies including the SEC and the U.S. Department of Justice. Consequently, we are subject to the risk that compliance with any particular regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another's interpretation of the same issue, particularly when compliance is judged in hindsight. In addition, there is risk that any particular regulator's or enforcement authority's interpretation of a legal issue may change over time to our detriment, or that changes in the overall legal environment may, even absent any particular regulator's or enforcement authority's interpretation of a legal issue changing, cause us to change our views regarding the actions we need to take from a legal risk management perspective, thus necessitating changes to our practices that may, in some cases, increase our costs and limit our ability to grow or to improve the profitability of our business. Further, in some cases, these laws and regulations are designed to protect or benefit the interests of a specific constituency rather than a range of constituencies. For example, state insurance laws and regulations generally are intended to protect or benefit purchasers or users of insurance products, not holders of securities, which generally is the jurisdiction of the SEC. In many respects, these laws and regulations limit our ability to grow or to improve the profitability of our business.

Regulation of the sale of medical insurance for cats and dogs is subject to change, and future regulations could harm our business and operating results.

The laws and regulations governing the offer, sale and purchase of medical insurance for cats and dogs are subject to change, and future changes may be adverse to our business. For example, if a jurisdiction were to increase our risk-based capital requirements or alter the requirements for obtaining or maintaining an agent's license in connection with the enrollment of a member in our medical plan, it could have a material adverse effect on our operations. Some states in the United States have adopted, and others are expected to adopt, new laws and regulations related to the insurance industry. It is difficult to predict how these or any other new laws and regulations will impact our business, but, in some cases, changes in insurance laws, regulations and guidelines may be incompatible with various aspects of our business and require that we make significant modifications to our existing technology or practices, which may be costly and time-consuming to implement and could also harm our business, operating results and financial condition.

Failure to comply with federal, state and provincial laws and regulations relating to privacy and security of personal information, and civil liabilities relating to breaches of privacy and security of personal information, could create liabilities for us, damage our reputation and harm our business.

A variety of U.S. and Canadian federal, state and provincial laws and regulations govern the collection, use, retention, sharing and security of personal information. We collect and utilize demographic and other information from and about our members when they visit our website, call our contact center and apply for enrollment in our medical plan. Further, we use tracking technologies, including “cookies,” to help us manage and track our members’ interactions and deliver relevant advice and advertising. Claims or allegations that we have violated applicable laws or regulations related to privacy and data security could in the future result in negative publicity and a loss of confidence in us by our members and our participating service providers, and may subject us to fines by credit card companies and the loss of our ability to accept credit and debit card payments. In addition, we have posted privacy policies and practices concerning the collection, use and disclosure of member data on our website. Several Internet companies have incurred penalties for failing to abide by the representations made in their privacy policies and practices. In addition, our use and retention of personal information could lead to civil liability exposure in the event of any disclosure of such information due to hacking, viruses, inadvertent action or other use or disclosure. Several companies have been subject to civil actions, including class actions, relating to this exposure.

We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols for personal information imposed by law, regulation, self-regulatory bodies, industry standards and contractual obligations. Such laws, standards and regulations, however, are evolving and subject to potentially differing interpretations, and federal, state and provincial legislative and regulatory bodies may expand current or enact new laws or regulations regarding privacy matters. We are unable to predict what additional legislation, standards or regulation in the area of privacy and security of personal information could be enacted or its effect on our operations and business.

Government regulation of the Internet and email could adversely affect our business.

The laws governing general commerce on the Internet remain unsettled and it may take years to fully determine whether and how existing laws such as those governing insurance, intellectual property, privacy and taxation apply to the Internet. In addition, the growth and development of the market for electronic commerce and Internet-related pet medical plan advertisements and transactions may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business and selling subscriptions to a pet medical plan over the Internet. Any new laws or regulations or new interpretations of existing laws or regulations relating to the Internet could harm our business and we could be forced to incur substantial costs in order to comply with them, which would harm our business, operating results and financial condition.

Additionally, we use email to market our services to potential members and as a means of communicating with our existing members. The laws and regulations governing the use of email for commercial purposes continue to evolve and the growth and development of the market for commerce over the Internet may lead to the adoption of additional legislation. On July 1, 2014, legislation became effective in Canada that, among other things, prohibits the sending of commercial electronic messages without the express or implied consent of the recipient, subject to certain exceptions. Failure to abide by this new legislation could lead to significant administrative monetary penalties and, as of July 1, 2017, civil liability exposure, including through class actions. We have incurred, and will continue to incur, expenses to comply with electronic messaging laws. If new laws or regulations are adopted, or existing laws and regulations are interpreted, to impose additional restrictions on our ability to send email to our members or potential members, we may not be able to communicate with them in a cost-effective manner. In addition to legal restrictions on the use of email for commercial purposes, Internet service providers, email service providers and others attempt to block the transmission of unsolicited email, commonly known as “spam.” Many Internet and email service providers have relationships with organizations whose purpose it is to detect and notify the Internet and email service providers of entities that the organization believes is sending unsolicited email. If an Internet or email service provider identifies email from us as “spam” as a result of reports from these organizations or otherwise, we could be placed on a restricted list that will block our emails to members or potential members. If we are restricted or unable to communicate by email with our members and potential members as a result of legislation, blockage or otherwise, our business, operating results and financial condition would be harmed.

Applicable insurance laws regarding the change in control of our company may impede potential acquisitions that our stockholders might consider to be desirable.

We are subject to statutes and regulations of the state of New York that generally require that any person or entity desiring to acquire direct or indirect control of APIC obtain prior regulatory approval. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change in control of our company, including through transactions, and in particular unsolicited transactions, that some of our stockholders might consider to be desirable. Similar laws or regulations may also apply in other states in which we may operate.

Our segregated account in Bermuda, WICL segregated account AX, could be adversely impacted by regulatory compliance of a third party.

Wyndham Insurance Company (SAC) Limited (WICL) is a class 3 insurer regulated by the Bermuda Monetary Authority (BMA). WICL's ability to continue operations and pay dividends could impact the ability of our segregated account to do the same. WICL's failure to meet regulatory requirements set forth by the BMA could result in our inability to transact business with WICL segregated account AX. Further, WICL could be limited from allowing dividends to be paid out of segregated account AX in the event of adverse regulatory actions.

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

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Exchange Act, and are required to comply with the applicable requirements of the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act and the JOBS Act, as well as rules and regulations subsequently implemented by the SEC and the stock exchange on which our common stock is listed, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Compliance with these requirements has and may continue to increase our legal and financial compliance costs and will make some activities more time consuming and costly. In addition, from time to time, our management and other personnel need to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we have and will continue to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which will increase when we are no longer an emerging growth company, as defined by the JOBS Act. We cannot predict or estimate the amount of additional costs we may incur as a result of being a public company or the timing of such costs.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We generally will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of June 30, (ii) the end of the fiscal year in which we have total annual gross revenue of \$1 billion or more during such fiscal year, (iii) the date on which we issue more than \$1 billion in non-convertible debt in a three-year period or (iv) the end of the fiscal year in which the fifth anniversary of our IPO occurred, July 18, 2014.

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

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

Risks Related to Ownership of Our Common Stock

Our actual operating results may differ significantly from our guidance.

From time to time we have released, and may continue to release, guidance in our quarterly earnings conference call, quarterly earnings releases, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance, which includes forward-looking statements, has been and will be based on projections prepared by our management. These projections are not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our registered public accountants nor any other independent expert or outside party compiles or examines the projections. Accordingly, no such person expresses any opinion or any other form of assurance with respect to the projections.

Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We intend to state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to imply that actual results could not fall outside of the suggested ranges. The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such third parties.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results may vary from our guidance and the variations may be material. In light of the foregoing, investors are urged not to rely upon our guidance in making an investment decision regarding our common stock.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this report could result in the actual operating results being different from our guidance, and the differences may be adverse and material.

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

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the securities or industry analysts who publish research about us or our business downgrade our stock or publish inaccurate or unfavorable evaluations of our company or our stock, the price of our stock could decline. If one or more of these analysts cease coverage of our company, our stock may lose visibility in the market, which in turn could cause our stock price to decline.

The market price of our common stock has been and is likely to continue to be volatile, and you may be unable to sell your shares at or above the price at which you purchased them.

The market price of our common stock has been and is likely to continue to fluctuate widely. Factors affecting the market price of our common stock include:

- variations in our operating results, earnings per share, cash flows from operating activities, and key financial and operational metrics, and how those results compare to analyst expectations;
- forward-looking guidance that we provide to the public and industry and financial analysts related to future revenue and profitability, and any change in that guidance or our failure to achieve the results reflected in that guidance;
- the net increases in the number of members, either independently or as compared with published expectations of industry, financial or other analysts that cover our company;
- changes in the estimates of our operating results or changes in recommendations by securities analysts that elect to follow our common stock;
- announcements of changes to our medical plan, strategic alliances or significant agreements by us or by our competitors;
- announcements by us or by our competitors of mergers or other strategic acquisitions, or rumors of such transactions involving us or our competitors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- trading activity by a limited number of stockholders who together beneficially own a majority of our outstanding common stock;
- the number of shares of our stock trading on a regular basis; and
- any other factors discussed in these risk factors.

In addition, if the market for stock in our industry or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price of our common stock might also decline in reaction to events that affect other companies within, or outside, our industry even if these events do not directly affect us. Some companies that have experienced volatility in the trading price of their stock have been the subject of securities class action litigation. If we are the subject of such litigation, it could result in substantial costs and a diversion of our management's attention and resources.

We do not intend to pay dividends on our common stock and, therefore, any returns will be limited to the value of our stock.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, our ability to pay cash dividends on our common stock is limited by the terms of our credit agreement, APIC's ability to pay dividends is limited by New York state insurance laws, and WICL Segregated Account AX's ability to pay dividends is limited by our agreements with WICL as well as WICL's regulatory requirements. Any return to stockholders will therefore be limited to the increase, if any, of our stock price.

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

Our directors, five percent or greater stockholders and their respective affiliates beneficially hold a significant amount of our outstanding voting stock. Therefore, these stockholders have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you or other stockholders may feel are in your or their best interest as one of our stockholders.

Provisions in our restated certificate of incorporation, restated bylaws and Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the market price of our common stock.

Our restated certificate of incorporation and restated bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions, among other things:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;
- provide that directors may only be removed "for cause" and only with the approval of two-thirds of our stockholders;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder rights plan (also known as a "poison pill");
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15% or more of our common stock.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our principal executive offices are located at 6100 4th Avenue South, Seattle, Washington. The lease for our principal office is for 72,157 square feet and expires in July 2026. This lease includes provisions which increase our principal office space to a total of 90,385 square feet in 2017 and then to a total of 108,218 square feet in 2018. We also occupy 1,600 square feet of office space in Vancouver, British Columbia pursuant to a lease that expires in March 2017 which we plan to renew.

Item 3. Legal Proceedings

From time to time, we may be subject to various legal proceedings and claims in the ordinary course of business activities, including claims of alleged infringement of trademarks, copyrights and other intellectual property rights; employment claims; coverage disputes with policyholders; and general contract or other claims. We may, from time to time, also be subject to various other legal or government claims, disputes or investigations.

The outcomes of our legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to our operating results for a particular period. We make a provision for a liability relating to legal matters when it is both probable that a liability beyond previously accrued amounts has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Market for our Common Stock

Our common stock began trading on the New York Stock Exchange (NYSE) under the symbol "TRUP" on July 18, 2014. Prior to that time, there was no public market for our common stock. On June 17, 2016, we voluntarily transferred the listing of our common stock from the NYSE to the NASDAQ Global Market of the NASDAQ Stock Market LLC (NASDAQ) where our common stock continues to be traded under the symbol "TRUP". The following table sets forth the high and low intra-day sales prices per share for our common stock on the NASDAQ and NYSE.

	Fiscal Year 2016		Fiscal Year 2015	
	High	Low	High	Low
1st Quarter	\$ 9.85	\$ 7.82	\$ 8.47	\$ 6.70
2nd Quarter	\$ 15.92	\$ 9.54	\$ 8.50	\$ 7.41
3rd Quarter	\$ 16.93	\$ 13.52	\$ 8.63	\$ 6.83
4th Quarter	\$ 17.18	\$ 14.75	\$ 9.90	\$ 6.40

Dividend Policy

We have never declared or paid cash dividends on our capital stock. Under our credit agreement, we are restricted from paying any dividends or making any distributions on account of our capital stock. We currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws and restrictions in our outstanding credit agreement, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant.

Holders of Record

As of February 8, 2017, there were 46 stockholders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, whose shares are held of record by banks, brokers, and other financial institutions.

Securities Authorized for Issuance under Equity Compensation Plans

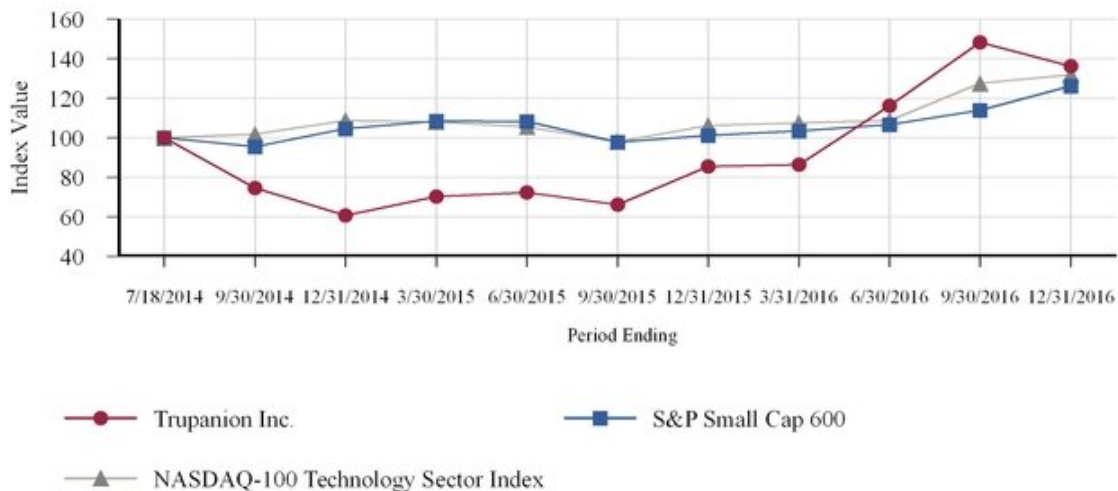
The information called for by this item is incorporated by reference to our Proxy Statement for the Annual Meeting of Stockholders to be held in 2017. See Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management."

Stock Performance Graph

The following shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference into such filing.

This chart compares the cumulative total return on our common stock with that of the S&P Small Cap 600 Index and the NASDAQ-100 Technology Sector Index. The chart assumes \$100 was invested at the close of market on July 18, 2014, in our common stock and the S&P Small Cap 600 Index, and assumes the reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

**Comparison of Cumulative Total Return
Among Trupanion, S&P Small Cap 600 and NASDAQ-100 Technology Sector Index**



Company/Index	7/18/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
Trupanion Inc.	\$ 100.00	\$ 74.57	\$ 60.82	\$ 70.19	\$ 72.28	\$ 66.23	\$ 85.61	\$ 86.40	\$ 116.23	\$ 148.25	\$ 136.14
S&P Small Cap 600	100.00	95.62	104.65	108.46	108.31	97.91	101.16	103.45	106.67	113.98	126.19
NASDAQ- 100 Technology Sector Index	100.00	101.85	108.79	108.08	105.62	98.09	106.25	107.61	108.77	127.51	131.81

Issuer Purchases of Equity Securities

Not applicable.

Item 6. Selected Consolidated Financial Data

The following selected consolidated financial and other data should be read with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The selected consolidated statements of operations data for the years ended December 31, 2016, 2015 and 2014 and the consolidated balance sheet data as of December 31, 2016 and 2015 are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated statements of operations data for the years ended December 31, 2013 and 2012 and the consolidated balance sheet data as of December 31, 2014, 2013 and 2012 are derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results to be expected in any future period.

	Years Ended December 31,				
	2016	2015	2014	2013	2012
(in thousands, except share and per share data)					
Consolidated Statements of Operations Data:					
Revenue:					
Subscription business	\$ 173,356	\$ 133,406	\$ 103,502	\$ 76,413	\$ 55,352
Other business	14,874	13,557	12,408	7,416	178
Total revenue	188,230	146,963	115,910	83,829	55,530
Cost of revenue:					
Subscription business ⁽¹⁾	141,321	109,428	85,169	61,394	44,185
Other business	13,621	12,306	10,867	6,791	134
Total cost of revenue	154,942	121,734	96,036	68,185	44,319
Gross profit:					
Subscription business	32,035	23,978	18,333	15,019	11,167
Other business	1,253	1,251	1,541	625	44
Total gross profit	33,288	25,229	19,874	15,644	11,211
Operating expenses:					
Sales and marketing ⁽¹⁾	15,247	15,231	11,608	9,091	7,149
Technology and development ⁽¹⁾	9,534	11,215	9,899	4,888	3,406
General and administrative ⁽¹⁾	15,205	15,558	14,312	8,652	6,195
Total operating expenses	39,986	42,004	35,819	22,631	16,750
Operating loss	(6,698)	(16,775)	(15,945)	(6,987)	(5,539)
Interest expense	218	325	6,726	609	535
Other (income) expense, net	(58)	(9)	(1,487)	671	252
Loss before income taxes	(6,858)	(17,091)	(21,184)	(8,267)	(6,326)
Income tax expense (benefit)	38	114	(7)	(92)	84
Net loss	\$ (6,896)	\$ (17,205)	\$ (21,177)	\$ (8,175)	\$ (6,410)
Net loss attributable to common stockholders	\$ (6,896)	\$ (17,205)	\$ (21,177)	\$ (8,175)	\$ (8,147)
Net loss per share attributable to common stockholders—basic and diluted ⁽²⁾	\$ (0.24)	\$ (0.62)	\$ (1.64)	\$ (6.23)	\$ (9.76)
Weighted average number of shares outstanding used to compute net loss per share attributable to common stockholders—basic and diluted ⁽²⁾	28,527,602	27,638,443	12,934,477	1,312,019	834,648

	Years Ended December 31,				
	2016	2015	2014	2013	2012
Other Financial and Operational Data ⁽³⁾ :					
Total pets enrolled	343,649	291,818	232,450	182,497	127,704
Total subscription pets enrolled	323,233	272,636	215,491	168,405	125,387
Monthly average revenue per pet	\$ 47.82	\$ 45.04	\$ 44.14	\$ 42.56	\$ 41.99
Lifetime value of a pet	\$ 631	\$ 591	\$ 591	\$ 619	\$ 557
Average pet acquisition cost ⁽⁴⁾	\$ 123	\$ 132	\$ 121	\$ 104	\$ 100
Average monthly retention	98.60%	98.64%	98.69%	98.65%	98.51%
Adjusted EBITDA (in thousands) ⁽⁵⁾	\$ 62	\$ (11,297)	\$ (10,349)	\$ (4,351)	\$ (3,904)

	As of December 31,				
	2016	2015	2014	2013	2012
(in thousands)					
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 23,637	\$ 17,956	\$ 53,098	\$ 14,939	\$ 4,234
Short-term investments	29,570	25,288	22,371	16,088	10,809
Working capital	34,729	30,016	62,111	13,710	7,746
Total assets	82,345	70,917	98,306	51,653	27,666
Warrant liabilities	—	—	—	4,900	551
Current and long-term debt	4,767	—	14,900	26,099	9,900
Total liabilities	37,630	25,561	39,031	52,928	23,015
Convertible preferred stock	—	—	—	31,724	31,724
Stockholders' equity (deficit)	44,715	45,356	59,275	(32,999)	(27,073)

(1) Includes stock-based compensation expense as follows:

	Years Ended December 31,				
	2016	2015	2014	2013	2012
(in thousands)					
Cost of revenue	\$ 275	\$ 263	\$ 315	\$ 230	\$ 109
Sales and marketing	532	446	553	677	428
Technology and development	246	404	461	351	268
General and administrative	1,893	1,889	2,755	680	629
Total stock-based compensation expense	\$ 2,946	\$ 3,002	\$ 4,084	\$ 1,938	\$ 1,434

- (2) See note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a description of the method used to compute basic and diluted net loss per share attributable to common stockholders.
- (3) For more information about how we calculate total pets enrolled, total subscription pets enrolled, monthly average revenue per pet, lifetime value of a pet, average pet acquisition cost and average monthly retention, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics.”
- (4) Average pet acquisition cost is calculated in part based on acquisition cost and net acquisition cost, non-GAAP financial measures. Acquisition cost is defined as sales and marketing expenses, excluding stock-based compensation expense. Net acquisition cost is defined as acquisition cost, net of sign-up fee revenue and other business segment sales and marketing expense. For more information about acquisition cost, net acquisition cost and a reconciliation of sales and marketing expenses to acquisition cost and net acquisition cost, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

- (5) Adjusted EBITDA is a non-GAAP financial measure that we define as net loss excluding stock-based compensation expense, depreciation and amortization expense, interest income, interest expense, change in fair value of warrant liabilities, income tax expense (benefit) and loss (income) from equity method investment. For more information about Adjusted EBITDA, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

Item 7. Management ' s Discussion and Analysis of Financial Conditions and Results of Operations

Overview

We provide a medical insurance plan for cats and dogs throughout the United States, Canada and Puerto Rico. Our data-driven, vertically-integrated approach enables us to provide pet owners with what we believe is the highest value medical plan for their pets, priced specifically for each pet's unique characteristics. Our growing and loyal member base provides us with highly predictable and recurring revenue. We operate our business similar to other subscription-based businesses, with a focus on maximizing the lifetime value of each pet while sustaining a favorable ratio of lifetime value relative to pet acquisition cost.

We operate in two business segments: subscription business and other business. We generate revenue in our subscription business segment primarily from subscription fees for our medical plan, which we market to consumers. Our medical plan automatically renews on a monthly basis and members pay the subscription fee at the beginning of each subscription period, in most cases by authorizing us to directly charge their credit card, debit card or bank account through automatic funds transfer. Subscription revenue is recognized on a pro rata basis over the monthly enrollment term. We generate revenue in our other business segment primarily from writing policies on behalf of third parties where we do not undertake the direct consumer marketing. This segment includes the writing of policies that provide different coverage and may have materially different terms and conditions than our subscription medical plan.

We generate leads for our subscription business through both third-party referrals and online member acquisition channels, which we then convert into members through our website and contact center. Veterinary practices represent our largest referral source. We engage a national referral network of partners who are paid fees based on activity in their regions, which we refer to as our Territory Partners. Our Territory Partners are dedicated to cultivating direct veterinary relationships and building awareness of the benefits that our medical plan offers veterinarians and their clients. Veterinarians then educate pet owners, who visit our website or call our contact center to learn more about, and potentially enroll in, our medical plan. Our online member acquisition channels serve as important resources for pet owner education and drive new member leads and conversion. We also receive a significant number of new leads from existing members adding pets and referring their friends and family members. We continuously evaluate the effectiveness of our member acquisition channels and marketing initiatives based upon their return on investment, which we measure by comparing the ratio of the lifetime value of a pet generated through each specific channel or initiative to the related acquisition cost.

Our revenue increased from \$147.0 million for the year ended December 31, 2015 to \$188.2 million for the year ended December 31, 2016, representing 28% year-over-year growth. We have made and expect to continue to make substantial investments in member acquisition and in expanding our operations. For the years ended December 31, 2016 , 2015 , and 2014 , we had a net loss of \$6.9 million , \$17.2 million and \$21.2 million , respectively. As of December 31, 2016, our accumulated deficit was \$81.3 million .

Key Financial and Operating Metrics

The following tables set forth our key financial and operating metrics for our subscription business for the periods ended December 31, 2016 , 2015 and 2014 and for each of the last eight fiscal quarters.

	Years Ended December 31,		
	2016	2015	2014
Total pets enrolled (at period end)	343,649	291,818	232,450
Total subscription pets enrolled (at period end)	323,233	272,636	215,491
Monthly average revenue per pet	\$ 47.82	\$ 45.04	\$ 44.14
Lifetime value of a pet (LVP)	\$ 631	\$ 591	\$ 591
Average pet acquisition cost (PAC)	\$ 123	\$ 132	\$ 121
Average monthly retention	98.60%	98.64%	98.69%
Adjusted EBITDA (in thousands)	\$ 62	\$ (11,297)	\$ (10,349)

	Period Ended							
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
Total pets enrolled (at period end)	343,649	334,070	320,896	307,298	291,818	276,988	259,948	246,106
Total subscription pets enrolled (at period end)	323,233	312,282	299,856	287,123	272,636	258,546	241,808	228,409
Monthly average revenue per pet	\$ 49.17	\$ 48.37	\$ 47.39	\$ 46.12	\$ 45.48	\$ 45.15	\$ 45.10	\$ 44.34
Lifetime value of a pet (LVP)	\$ 631	\$ 624	\$ 622	\$ 603	\$ 591	\$ 591	\$ 570	\$ 567
Average pet acquisition cost (PAC)	\$ 133	\$ 120	\$ 118	\$ 123	\$ 132	\$ 129	\$ 133	\$ 134
Average monthly retention	98.60%	98.61%	98.64%	98.65%	98.64%	98.66%	98.67%	98.66%
Adjusted EBITDA (in thousands)	\$ 302	\$ 304	\$ 522	\$ (1,066)	\$ (1,588)	\$ (3,211)	\$ (3,165)	\$ (3,333)

Total pets enrolled. Total pets enrolled reflects the number of pets subscribed to either our plan or one of the insurance products offered in our other business segment at the end of each period presented. We monitor total pets enrolled because it provides an indication of the growth of our consolidated business.

Total subscription pets enrolled. Total subscription pets enrolled reflects the number of pets subscribed to the plan marketed by Trupanion to consumers at the end of each period presented. We monitor total subscription pets enrolled because it provides an indication of the growth of our subscription business.

Monthly average revenue per pet. Monthly average revenue per pet is calculated as amounts billed in a given month for subscriptions divided by the total number of subscription pet months in the period. Total subscription pet months in a period represents the sum of all pets enrolled for each month during the period. We monitor monthly average revenue per pet because it is an indicator of the per pet unit economics of our business.

Lifetime value of a pet. Lifetime value of a pet (LVP) is calculated in part based on gross profit from our subscription business segment for the 12 months prior to the period end date excluding stock-based compensation expense related to cost of revenue from our subscription business segment, sign-up fee revenue and the change in deferred revenue between periods, multiplied by the implied average subscriber life in months. Implied average subscriber life in months is calculated as the quotient obtained by dividing one by one minus the average monthly retention rate. We monitor LVP to assess how much lifetime value we might expect from new pets over their implied average subscriber life in months and to evaluate the amount of sales and marketing expenses we may want to incur to attract new pet enrollments.

Average pet acquisition cost. Average pet acquisition cost (PAC) is calculated as net acquisition cost divided by the total number of new subscription pets enrolled in that period. Net acquisition cost, a non-GAAP financial measure, is calculated in a reporting period as sales and marketing expenses, excluding stock-based compensation expense, offset by sign-up fee revenue and other business segment sales and marketing expenses. We offset sales and marketing expenses with sign-up fee revenue since it is a one-time charge to new members used to partially offset initial setup costs, which are included in sales and marketing expenses. We monitor average pet acquisition cost to evaluate the efficiency of our sales and marketing programs in acquiring new members and measure effectiveness using the ratio of our lifetime value of a pet to average pet acquisition cost.

Average monthly retention. Average monthly retention is measured as the monthly retention rate of enrolled subscription pets for each applicable period averaged over the 12 months prior to the period end date. As such, our average monthly retention rate as of December 31, 2016 is an average of each month's retention from January 1, 2016 through December 31, 2016. We calculate monthly retention as the number of pets that remain after subtracting all pets that cancel during a month, including pets that enroll and cancel within that month, divided by the total pets enrolled at the beginning of that month. We monitor average monthly retention because it provides a measure of member satisfaction and allows us to calculate the implied average subscriber life in months.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that we define as net loss excluding stock-based compensation expense, depreciation and amortization expense, interest income, interest expense, change in fair value of warrant liabilities, income tax expense (benefit) and loss (income) from equity method investment. For more information about adjusted EBITDA and a reconciliation of net loss to adjusted EBITDA, see "Non-GAAP Financial Measures" below.

Non-GAAP Financial Measures

We believe that using acquisition cost, net acquisition cost and adjusted EBITDA to calculate and present certain of our other key metrics is helpful to our investors. These measures, which are non-GAAP financial measures, are not prepared in accordance with U.S. GAAP. We define acquisition cost as sales and marketing expenses, excluding stock-based compensation expense. We define net acquisition cost as acquisition cost net of sign-up fee revenue and other business segment sales and marketing expenses. We define adjusted EBITDA as net loss excluding stock-based compensation expense, depreciation and amortization expense, interest income, interest expense, change in fair value of warrant liabilities, income tax expense (benefit) and loss (income) from equity method investment.

Our non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in our industry as other companies in our industry may calculate or use non-GAAP financial measures differently. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact on our reported financial results. Further, stock-based compensation expense and other items used in the calculation of adjusted EBITDA have been and will continue to be for the foreseeable future significant recurring expenses in our business. The presentation and utilization of non-GAAP financial measures is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. We urge our investors to review the reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measures in our consolidated financial statements that is included below, and not to rely on any single financial or operating measure to evaluate our business.

Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company's non-cash expenses, we believe that providing non-GAAP financial measures such as acquisition cost, net acquisition cost and adjusted EBITDA that exclude stock-based compensation expense and, in the case of adjusted EBITDA, the change in fair value of warrant liabilities and loss (income) from equity method investments allows for more meaningful comparisons between our operating results from period to period. We net sign-up fees with sales and marketing expenses in our calculation of net acquisition cost because we collect it from new members at the time of enrollment and consider it to be an offset to a portion of our sales and marketing expenses. We exclude the change in fair value of warrant liabilities from our calculation of adjusted EBITDA in order to eliminate fluctuations caused by changes in our stock price. We believe this allows us to calculate and present acquisition cost, net acquisition cost and the related financial measures we derive from them, as well as adjusted EBITDA, in a consistent manner across periods. Our non-GAAP financial measures and the related financial measures we derive from them are important tools for financial and operational decision-making and for evaluating our own operating results over different periods of time.

The following table reflects the reconciliation of acquisition cost and net acquisition cost to sales and marketing expenses:

	Years Ended December 31,		
	2016	2015	2014
	(in thousands)		
Sales and marketing expenses	\$ 15,247	\$ 15,231	\$ 11,608
Excluding:			
Stock-based compensation expense	(532)	(446)	(553)
Acquisition cost	14,715	14,785	11,055
Net of:			
Sign-up fee revenue	(2,073)	(1,983)	(1,572)
Other business segment sales and marketing expense	(218)	(80)	(124)
Net acquisition cost	\$ 12,424	\$ 12,722	\$ 9,359

Three Months Ended								
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
(in thousands)								
Sales and marketing expenses	\$ 3,951	\$ 3,892	\$ 3,564	\$ 3,840	\$ 3,919	\$ 4,128	\$ 3,533	\$ 3,651
Excluding:								
Stock-based compensation expense	(113)	(172)	(165)	(82)	(104)	(102)	(110)	(130)
Acquisition cost	3,838	3,720	3,399	3,758	3,815	4,026	3,423	3,521
Net of:								
Sign-up fee revenue	(526)	(525)	(495)	(527)	(506)	(542)	(451)	(484)
Other business segment sales and marketing expense	(62)	(63)	(55)	(38)	(8)	(16)	(30)	(26)
Net acquisition cost	\$ 3,250	\$ 3,132	\$ 2,849	\$ 3,193	\$ 3,301	\$ 3,468	\$ 2,942	\$ 3,011

The following table reflects the reconciliation of adjusted EBITDA to net loss:

Years Ended December 31,			
	2016	2015	2014
(in thousands)			
Net loss	\$ (6,896)	\$ (17,205)	\$ (21,177)
Excluding:			
Stock-based compensation expense	2,946	3,002	4,084
Depreciation and amortization expense	3,846	2,542	1,675
Interest income	(119)	(75)	(74)
Interest expense	218	325	6,726
Change in fair value of warrant liabilities	—	—	(1,575)
Income tax expense (benefit)	38	114	(8)
Loss (income) from equity method investment	29	—	—
Adjusted EBITDA	\$ 62	\$ (11,297)	\$ (10,349)

Three Months Ended								
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
(in thousands)								
Net loss	\$ (1,723)	\$ (1,637)	\$ (964)	\$ (2,572)	\$ (3,001)	\$ (4,643)	\$ (4,625)	\$ (4,936)
Excluding:								
Stock-based compensation expense	731	776	743	696	653	749	897	703
Depreciation and amortization expense	1,229	1,093	739	785	741	672	563	566
Interest income	(41)	(29)	(26)	(23)	(19)	(19)	(18)	(19)
Interest expense	81	66	41	30	26	14	40	245
Income tax expense(benefit)	7	13	4	14	12	16	(22)	108
Loss (income) from equity method investment	18	22	(15)	4	—	—	—	—
Adjusted EBITDA	\$ 302	\$ 304	\$ 522	\$ (1,066)	\$ (1,588)	\$ (3,211)	\$ (3,165)	\$ (3,333)

Factors Affecting Our Performance

Average monthly retention. Our performance depends on our ability to continue to retain our existing and newly enrolled pets and is impacted by our ability to provide a best-in-class value and member experience. Our ability to maintain the retention rate of enrolled pets may be affected by a number of factors, including the actual and perceived value of our services and the quality of our member experience, our claims payment process and the competitive environment. In addition, if the number of new pets enrolled increases at a faster rate than our historical experience, our average monthly retention rate could be adversely impacted, as our retention rate is generally lower during the first year of member enrollment.

Investment in pet acquisition. We have made and plan to continue to make significant investments to grow our member base. Our net acquisition cost and the number of new members we enroll depends on a number of factors, including the amount we elect to invest in sales and marketing activities in any particular period in the aggregate and by channel, effectiveness of our sales execution and marketing initiatives, changes in costs of media, the mix of our sales and marketing expenditures and the competitive environment. Our average pet acquisition cost has in the past significantly varied and in the future may significantly vary from period to period based upon specific marketing initiatives and the actual or expected relationship to LVP. For example, the timing of our Territory Partner conference may increase our average pet acquisition cost in a given period (historically, during the fourth quarter of each year). We also regularly test new member acquisition channels and marketing initiatives, which may be more expensive than our traditional marketing channels and increase our average acquisition costs. We plan to expand the number of Territory Partners which is likely to increase our average pet acquisition cost. We continually assess our sales and marketing activities by monitoring the ratio of LVP to PAC.

Timing of initiatives. Over time we plan to implement new initiatives to improve our member experience, make modifications to our medical plan and find other ways to maintain a strong value proposition for our members. These initiatives will sometimes be accompanied by price adjustments, in order to compensate for an increase in benefits received by our members. The implementation of such initiatives may not always coincide with the timing of price adjustments resulting in fluctuations in revenue and gross profit in our subscription business segment.

Geographic mix of sales. The relative mix of our business between the United States and Canada impacts the monthly average revenue per pet we receive. Prices for our plan in Canada are generally higher than in the United States (in local currencies), which is consistent with the relative cost of veterinary care in each country. As our revenue has grown faster in the United States compared to Canada, this geographic shift in the mix of business has reduced the growth in our monthly average revenue per pet. In addition, as our mix of revenue changes between the United States and Canada, our exposure to foreign exchange fluctuations will be impacted.

Other business segment. Our other business segment includes revenue and expenses related to policies written on behalf of third parties where we do not undertake the direct consumer marketing. This segment includes the writing of policies that provide different coverage and may have materially different terms and conditions than our subscription medical plan. Our relationships in our other business segment are generally subject to termination provisions and are non-exclusive. Accordingly we cannot control how much business is written with us, even if a contract is not terminated. Loss of an entire program via contract termination could result in the associated policies and revenues being lost over a period of 12 - 18 months which could have a material impact on our results of operations. We may enter into additional relationships in the future to the extent we believe they will be profitable to us, which could also impact our operating results.

Basis of Presentation

General

We operate in two business segments: subscription business and other business. Our subscription business segment includes revenue and expenses related to monthly subscriptions for our medical plan, which we market to consumers. Our other business segment includes revenue and expenses related to our other operations that are not directly marketed to consumers. We report our financial information in accordance with U.S. GAAP.

Revenue

We generate revenue in our subscription business segment primarily from subscription fees for our medical plan. Our medical plan automatically renews on a monthly basis, and members pay the subscription fee at the beginning of each subscription period, in most cases by authorizing us to directly charge their credit card, debit card or bank account through automatic funds transfer. Subscription revenue is recognized on a pro rata basis over the monthly enrollment term. Membership may be canceled at any time without penalty, and we issue a refund for the unused portion of the canceled membership.

We generate revenue in our other business segment primarily from writing policies on behalf of third parties where we do not undertake the direct consumer marketing. This segment includes the writing of policies that provide different coverage and may have materially different terms and conditions than our subscription medical plan.

Cost of Revenue

Cost of revenue in each of our segments is comprised of claims expenses and other cost of revenue.

Claims expenses

Claims expenses include claims incurred, the cost of personnel administering the claims and providing member service relating to claims, and other operating expenses directly or indirectly related to claims administration. Claims incurred are the claims approved for payment plus an accrual for claims incurred that have not yet been submitted or approved for payment. This accrual is based on our historical experience and developments in claims frequency and severity and the cost of veterinary care, and also includes the cost of administering such claims.

Other cost of revenue

Other cost of revenue for the subscription business segment includes direct and indirect member service expenses, renewal fees, credit card transaction fees and premium tax expenses. Other cost of revenue for the other business segment includes the commission the Company pays to the unaffiliated general agent and premium taxes on other policies in this segment.

For both our subscription business and our other business segments, we generally expect our cost of revenue to remain relatively constant as a percentage of revenue, although there may be some periodic variability due to a number of factors including the rate of claims occurrences during such periods. Claims expenses as a percentage of our subscription business revenue may increase over time as part of our strategy to return more value to our members to further enhance our member experience, retention rates and lifetime value of a pet. We currently expect that, in the long-term, such increases generally would be offset by economies of scale in our other cost of revenue.

Gross Profit

Gross profit is total revenue less cost of revenue. We expect gross profit as a percentage of revenue in our subscription segment to remain relatively consistent in the long-term, although there has been and may be in the future some periodic variability due to a number of factors, including the rate of claims occurrences during such periods and in the timing and significance of our pricing adjustments. The timing of our implementation of various initiatives to improve the experience of our members also may affect gross profit in the short-term. Further, as the mix of subscription business and other business changes and as we add or modify relationships in our other business segment, this may impact our total gross profit as a percentage of revenue.

Operating Expenses

Our operating expenses are classified into three categories: sales and marketing, technology and development, and general and administrative. For each category, the largest component is personnel costs, which include salaries, employee benefit costs, bonuses and stock-based compensation.

Sales and Marketing

Sales and marketing expenses primarily consist of lead generation costs, converting leads to enrolled pets, print, online and promotional advertising costs, strategic partnership fees and personnel costs and related expenses. Sales and marketing expenses are driven primarily by investments to acquire new members. We plan to continue to invest in existing and new member acquisition channels and marketing initiatives to grow our business. Investments in new member acquisition channels and marketing initiatives are generally more expensive than our traditional marketing channels and increase our average pet acquisition cost. We manage our sales and marketing expense on a per pet basis. As such, we expect sales and marketing expenses to fluctuate in absolute values and as a percentage of revenue based on how many new pets are enrolled in a period as well as the average pet acquisition cost. We generally target a ratio of lifetime value of a pet to average pet acquisition cost of 5 to 1.

Technology and Development

Technology and development expenses primarily consist of personnel costs and related expenses for our operations staff, which includes information technology development and infrastructure support, third-party services and depreciation of hardware and capitalized software and amortization of intangible assets. We expect technology and development expenses to decrease as a percentage of revenue in the near term as we continue to experience scale in our technology expenses.

General and Administrative

General and administrative expenses consist primarily of personnel costs and related expenses for our finance, actuarial, human resources, regulatory, legal, general management functions, as well as facilities and professional services. We expect general and administrative expenses to decrease as a percentage of revenue as we continue to experience scale in our general and administrative expenses.

Results of Operations

The following tables set forth our results of operations for the periods presented both in absolute dollars and as a percentage of our revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Years Ended December 31,		
	2016	2015	2014
	(in thousands)		
Consolidated Statements of Operations Data:			
Revenue:			
Subscription business	\$ 173,356	\$ 133,406	\$ 103,502
Other business	14,874	13,557	12,408
Total revenue	188,230	146,963	115,910
Cost of revenue:			
Subscription business ⁽¹⁾	141,321	109,428	85,169
Other business	13,621	12,306	10,867
Total cost of revenue	154,942	121,734	96,036
Gross profit:			
Subscription business	32,035	23,978	18,333
Other business	1,253	1,251	1,541
Total gross profit	33,288	25,229	19,874
Operating expenses:			
Sales and marketing ⁽¹⁾	15,247	15,231	11,608
Technology and development ⁽¹⁾	9,534	11,215	9,899
General and administrative ⁽¹⁾	15,205	15,558	14,312
Total operating expenses	39,986	42,004	35,819
Operating loss	(6,698)	(16,775)	(15,945)
Interest expense	218	325	6,726
Other income, net	(58)	(9)	(1,487)
Loss before income taxes	(6,858)	(17,091)	(21,184)
Income tax expense (benefit)	38	114	(7)
Net loss	\$ (6,896)	\$ (17,205)	\$ (21,177)

(1) Includes stock-based compensation expense as follows:

	Years Ended December 31,		
	2016	2015	2014
	(in thousands)		
Cost of revenue	\$ 275	\$ 263	\$ 315
Sales and marketing	532	446	553
Technology and development	246	404	461
General and administrative	1,893	1,889	2,755
Total stock-based compensation expense	\$ 2,946	\$ 3,002	\$ 4,084

	Years Ended December 31,		
	2016	2015	2014
Revenue	100 %	100 %	100 %
Cost of revenue	82	83	83
Gross profit	18	17	17
Operating expenses:			
Sales and marketing	8	10	10
Technology and development	5	8	9
General and administrative	8	11	12
Total operating expenses	21	29	31
Operating loss	(4)	(12)	(14)
Interest expense	—	—	5
Other income, net	—	—	(1)
Loss before income taxes	(4)	(12)	(18)
Income tax expense (benefit)	—	—	—
Net loss	(4)%	(12)%	(18)%

	Years Ended December 31,		
	2016	2015	2014
Subscription business revenue	100%	100%	100%
Subscription business cost of revenue	82	82	82
Subscription business gross profit	18%	18%	18%

Comparison of the years ended December 31, 2016, 2015 and 2014

Revenue

	Years Ended December 31,				
	2016	2015	2014	2015 to 2016 % Change	2014 to 2015 % Change
	(in thousands, except percentages, pet and per pet data)				
Revenue:					
Subscription business	\$ 173,356	\$ 133,406	\$ 103,502	30%	29%
Other business	14,874	13,557	12,408	10	9
Total revenue	\$ 188,230	\$ 146,963	\$ 115,910	28	27
Percentage of Revenue by Segment:					
Subscription business	92%	91%	89%		
Other business	8	9	11		
Total revenue	100%	100%	100%		
Total pets enrolled (at period end)	343,649	291,818	232,450	18	26
Total subscription pets enrolled (at period end)	323,233	272,636	215,491	19	27
Monthly average revenue per pet	\$ 47.82	\$ 45.04	\$ 44.14	6	2
Average monthly retention	98.60%	98.64%	98.69%		

Year ended December 31, 2016 compared to year ended December 31, 2015. Total revenue increased by \$41.3 million to \$188.2 million for the year ended December 31, 2016, or 28% . Revenue from our subscription business segment increased by \$40.0 million to \$173.4 million for the year ended December 31, 2016, or 30% . This increase in subscription business revenue was primarily due to a 19% increase in total subscription pets enrolled as of December 31, 2016 compared to December 31, 2015, and increased average revenue per pet of 6% for the same period due to increases in pricing to cover the increased cost of veterinary care. The impact of the increase was partially offset by an approximate \$1.2 million negative impact on our Canadian revenue due to changes in foreign exchange rates when compared to 2015. Revenue from our other business segment increased \$1.3 million to \$14.9 million for the year ended December 31, 2016, or 10% , due to an increase in enrolled pets in this segment.

Year ended December 31, 2015 compared to year ended December 31, 2014. Total revenue increased by \$31.1 million to \$147.0 million for the year ended December 31, 2015, or 27% . Revenue for our subscription business segment increased by \$29.9 million to \$133.4 million for the year ended December 31, 2015, or 29% . This increase in subscription business revenue was primarily due to a 27% increase in total subscription pets enrolled as of December 31, 2015 compared to December 31, 2014. Average revenue per pet increased from \$44.14 to \$45.04 , or 2% , for the same period due to increases in pricing to cover the increased cost of veterinary care. The impact of the increase was partially offset by an approximate \$4.8 million impact of foreign exchange rates on our Canadian revenue. Revenue from our other business segment increased \$1.2 million to \$13.6 million for the year ended December 31, 2015, or 9% , due to an increase in enrolled pets in this segment.

Cost of Revenue

	Years Ended December 31,				
	2016	2015	2014	2015 to 2016 % Change	2014 to 2015 % Change
(in thousands, except percentages)					
Cost of Revenue:					
Subscription business:					
Claims expenses	\$ 124,636	\$ 95,420	\$ 74,206	31%	29%
Other cost of revenue	16,685	14,008	10,963	19	28
Total cost of revenue	141,321	109,428	85,169	29	28
Gross profit	32,035	23,978	18,333	34	31
Other business:					
Claims expenses	8,898	7,904	5,707	13	38
Other cost of revenue	4,723	4,402	5,160	7	(15)
Total cost of revenue	13,621	12,306	10,867	11	13
Gross profit	1,253	1,251	1,541	—	(19)
Total pets enrolled (at period end)	343,649	291,818	232,450	18	26
Total subscription pets enrolled (at period end)	323,233	272,636	215,491	19	27
Percentage of Revenue by Segment:					
Subscription business:					
Claims expenses	72%	72%	72%		
Other cost of revenue	10	10	10		
Total cost of revenue	82	82	82		
Gross profit	18	18	18		
Other business:					
Claims expenses	60	58	46		
Other cost of revenue	32	32	42		
Total cost of revenue	92	91	88		
Gross profit	8	9	12		

Year ended December 31, 2016 compared to year ended December 31, 2015. Cost of revenue for our subscription business segment was \$141.3 million , or 82% of revenue, for the year ended December 31, 2016, compared to \$109.4 million , or 82% , of revenue for the year ended December 31, 2015. This \$31.9 million increase in subscription cost of revenue was primarily the result of a 19% increase in subscription pets enrolled. Compensation expense and related costs increased by \$2.1 million , or 17% , due to an increase in employee headcount to service our growth and improve our member experience. This was offset by a \$1.0 million benefit of foreign exchange rates on our Canadian costs. Cost of revenue for our other business segment increased \$1.3 million to \$13.6 million for the year ended December 31, 2016, due to an increase in enrolled pets in this segment.

Year ended December 31, 2015 compared to year ended December 31, 2014. Cost of revenue for our subscription business segment was \$109.4 million , or 82% of revenue, for the year ended December 31, 2015, compared to \$85.2 million , or 82% of revenue, for the year ended December 31, 2014. This \$24.3 million increase in subscription cost of revenue was primarily the result of a 27% increase in enrolled pets and a 29% increase in claims expense for our subscription business. Compensation expense and related costs increased by \$1.8 million due to a 12% increase in employee headcount to service our growth and improve our member experience. There was an additional \$3.5 million benefit of foreign exchange rates on our Canadian costs.

Cost of revenue for our other business segment increased \$1.4 million to \$12.3 million for the year ended December 31, 2015, due to an increase in enrolled pets in this segment. Our employer paid pets in this segment have historically been at a lower margin than other pets in this segment and they have increased 14% from 2014 to 2015, decreasing our other business segment gross margin from 12% to 9% .

Sales and Marketing Expenses

	Years Ended December 31,			2015 to 2016 % Change	2014 to 2015 % Change
	2016	2015	2014		
	(in thousands, except percentages and per pet data)				
Sales and marketing	\$ 15,247	\$ 15,231	\$ 11,608	—%	31%
Percentage of total revenue	8%	10%	10%		

Subscription Business:

Total subscription pets enrolled (at period end)	323,233	272,636	215,491	19	27
Average pet acquisition cost (PAC)	\$ 123	\$ 132	\$ 121	(7)	9
Lifetime Value of a Pet (LVP)	\$ 631	\$ 591	\$ 591	7	—

Year ended December 31, 2016 compared to year ended December 31, 2015. Sales and marketing expenses remained consistent at \$15.2 million for the year ended December 31, 2016 and decreased as a percentage of revenue from 10% to 8% . Headcount increased 30% in the sales and marketing department, offset by a decrease in the use of third-party vendors. Our core sales and marketing initiatives remained consistent between years. During 2016 we continued to focus on disciplined spending and increased our LVP to PAC ratio from 4.5 :1 at December 31, 2015 to 5.1 :1 at December 31, 2016.

Year ended December 31, 2015 compared to year ended December 31, 2014. Sales and marketing expenses increased \$3.6 million to \$15.2 million for the year ended December 31, 2015, or 31% . The increase in sales and marketing expenses was primarily due to an increase of \$0.5 million in expenditures related to new and expanded online marketing initiatives and public relations, a \$0.8 million increase in print advertising and brand development and a \$1.1 million increase related to developing our territory partner network and support functions. Additionally, there was a \$1.1 million increase in compensation and related costs and recruiting due to increased headcount in the sales and marketing department. Fees to our territory partners increased \$0.3 million based on increased enrollments.

Technology and Development Expenses

	Years Ended December 31,			2015 to 2016 % Change	2014 to 2015 % Change
	2016	2015	2014		
	(in thousands, except percentages)				
Technology and development	\$ 9,534	\$ 11,215	\$ 9,899	(15)%	13%
Percentage of total revenue	5%	8%	9%		

Year ended December 31, 2016 compared to year ended December 31, 2015. Technology and development expenses decreased \$1.7 million to \$9.5 million for the year ended December 31, 2016, or 15% . This decrease was partially due to a \$2.7 million decrease in professional services and compensation expense and related costs as headcount decreased 36% in this department. This was partially offset by a \$1.2 million increase in depreciation expense, driven by several projects being placed into service during 2016.

Year ended December 31, 2015 compared to year ended December 31, 2014. Technology and development expenses increased \$1.3 million to \$11.2 million for the year ended December 31, 2015, or 13% . The increase was primarily due to a \$0.4 million increase related to infrastructure growth to support our growing business. Depreciation and amortization expense increased by \$0.6 million as new projects relating to prior years were placed into service in 2015. Additionally, there was a \$0.2 million increase in costs related to our direct pay initiative. Total expenses, net of capitalization, in technology related to our direct pay claims processing initiative were \$4.3 million in 2015 and \$4.4 million in 2014. Of these amounts, depreciation expense comprised \$0.8 million in 2015 and \$0.6 million in 2014.

General and Administrative Expenses

	Years Ended December 31,			2015 to 2016 % Change	2014 to 2015 % Change
	2016	2015	2014		
	(in thousands, except percentages)				
General and administrative	\$ 15,205	\$ 15,558	\$ 14,312	(2)%	9%
Percentage of total revenue	8%	11%	12%		

Year ended December 31, 2016 compared to year ended December 31, 2015. General and administrative expenses decreased \$0.4 million to \$15.2 million for the year ended December 31, 2016, or 2% . This was primarily due to a decrease in personnel costs and related expenses of \$0.6 million resulting from lower incentive compensation while headcount remained consistent. General and administrative expenses decreased from 11% to 8% as a percentage of revenue for the year ended December 31, 2016, as we experienced scale in our support functions.

Year ended December 31, 2015 compared to year ended December 31, 2014. General and administrative expenses increased \$1.2 million to \$15.6 million for the year ended December 31, 2015, or 9% . The increase in general and administrative expenses was primarily due to an increase in salaries and related expenses of \$0.5 million resulting from increases in headcount. Regulatory fees incurred in our normal course of business increased \$0.4 million , and depreciation and amortization increased \$0.3 million due to property and equipment additions placed into service late in 2014.

Other Expense, Net

	Years Ended December 31,		
	2016	2015	2014
	(in thousands)		
Interest expense	\$ 218	\$ 325	\$ 6,726
Other income, net	(58)	(9)	(1,487)
Total other expense, net	\$ 160	\$ 316	\$ 5,239

Year ended December 31, 2016 compared to year ended December 31, 2015. Other expense, net for the year ended December 31, 2016 decreased \$0.1 million to \$0.2 million . This was primarily due to a \$0.1 million decrease in interest expense resulting from a lower outstanding average loan balance compared to the prior year.

Year ended December 31, 2015 compared to year ended December 31, 2014. Other expense, net for the year ended December 31, 2015 decreased \$4.9 million to \$0.3 million . This was primarily due to a decrease in interest expense associated with the repayment of debt and the expensing of unamortized debt discounts associated with the repayment of debt in 2014, partially offset by the revaluation of warrants classified as liabilities which resulted in other income in 2014.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly statements of operations data for the last eight fiscal quarters. The unaudited interim financial statements for each of these quarters have been prepared on the same basis as the audited financial statements included elsewhere in this prospectus and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present a fair statement of our results of operations and financial position for these periods. This data should be read in conjunction with the audited consolidated financial statements and accompanying notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for any future period.

	Three Months Ended							
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
	(in thousands)							
Consolidated Statements of Operations Data:								
Revenue:								
Subscription business	\$ 47,422	\$ 44,629	\$ 42,162	\$ 39,143	\$ 36,722	\$ 34,420	\$ 32,208	\$ 30,056
Other business	3,918	3,730	3,670	3,556	3,479	3,445	3,379	3,254
Total revenue	51,340	48,359	45,832	42,699	40,201	37,865	35,587	33,310
Cost of revenue:								
Subscription business ⁽¹⁾	38,528	36,432	34,158	32,203	29,856	28,146	26,661	24,766
Other business	3,594	3,427	3,408	3,192	3,075	3,128	3,140	2,962
Total cost of revenue	42,122	39,859	37,566	35,395	32,931	31,274	29,801	27,728
Gross profit:								
Subscription business	8,894	8,197	8,004	6,940	6,866	6,274	5,547	5,290
Other business	324	303	262	364	404	317	239	292
Total gross profit	9,218	8,500	8,266	7,304	7,270	6,591	5,786	5,582
Operating expenses:								
Sales and marketing ⁽¹⁾	3,951	3,892	3,564	3,840	3,919	4,128	3,533	3,651
Technology and development ⁽¹⁾	2,744	2,339	2,164	2,287	2,533	3,005	2,879	2,798
General and administrative ⁽¹⁾	4,177	3,811	3,495	3,722	3,798	4,067	3,996	3,697
Total operating expenses	10,872	10,042	9,223	9,849	10,250	11,200	10,408	10,146
Operating loss	(1,654)	(1,542)	(957)	(2,545)	(2,980)	(4,609)	(4,622)	(4,564)
Interest expense	81	66	41	30	26	14	40	245
Other (income) expense, net	(19)	16	(38)	(17)	(17)	4	(15)	19
Loss before income taxes	(1,716)	(1,624)	(960)	(2,558)	(2,989)	(4,627)	(4,647)	(4,828)
Income tax expense (benefit)	7	13	4	14	12	16	(22)	108
Net loss	\$ (1,723)	\$ (1,637)	\$ (964)	\$ (2,572)	\$ (3,001)	\$ (4,643)	\$ (4,625)	\$ (4,936)

	Period Ended							
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
Other Financial and Operational Data ⁽²⁾ :								
Total pets enrolled	343,649	334,070	320,896	307,298	291,818	276,988	259,948	246,106
Total subscription pets enrolled	323,233	312,282	299,856	287,123	272,636	258,546	241,808	228,409
Monthly average revenue per pet	\$ 49.17	\$ 48.37	\$ 47.39	\$ 46.12	\$ 45.48	\$ 45.15	\$ 45.10	\$ 44.34
Lifetime value of a pet	\$ 631	\$ 624	\$ 622	\$ 603	\$ 591	\$ 591	\$ 570	\$ 567
Average pet acquisition cost ⁽³⁾	\$ 133	\$ 120	\$ 118	\$ 123	\$ 132	\$ 129	\$ 133	\$ 134
Average monthly retention	98.60%	98.61%	98.64%	98.65%	98.64%	98.66%	98.67%	98.66%
Adjusted EBITDA (in thousands) ⁽⁴⁾	\$ 302	\$ 304	\$ 522	\$ (1,066)	\$ (1,588)	\$ (3,211)	\$ (3,165)	\$ (3,333)

⁽¹⁾ Includes stock-based compensation as follows:

	Three Months Ended							
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
	(in thousands)							
Cost of revenue	\$ 60	\$ 83	\$ 66	\$ 66	\$ 68	\$ 68	\$ 58	\$ 69
Sales and marketing	113	172	165	82	104	102	110	130
Technology and development	88	67	36	55	93	97	93	121
General and administrative	470	454	476	493	388	482	636	383

⁽²⁾ For more information about how we calculate total pets enrolled, total subscription pets enrolled, monthly average revenue per pet, lifetime value of a pet, average pet acquisition cost and average monthly retention, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics.”

⁽³⁾ Average pet acquisition cost is calculated in part based on acquisition cost and net acquisition cost, non-GAAP financial measures. Acquisition cost is defined as sales and marketing expenses, excluding stock-based compensation expense. Net acquisition cost is defined as acquisition cost, net of sign-up fee revenue and other business segment sales and marketing expense. For more information about acquisition cost, net acquisition cost and a reconciliation of sales and marketing expenses to acquisition cost and net acquisition cost, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

⁽⁴⁾ Adjusted EBITDA is a non-GAAP financial measure that we define as net loss excluding stock-based compensation expense, depreciation and amortization expense, interest income, interest expense, change in fair value of warrant liabilities, income tax expense (benefit) and loss (income) from equity method investment. For more information about Adjusted EBITDA, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

	Three Months Ended							
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
	(as a percentage of revenue)							
Revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenue	82	82	82	83	82	83	84	83
Gross profit	18	18	18	17	18	17	16	17
Operating expenses:								
Sales and marketing	8	8	8	9	10	11	10	11
Technology and development	5	5	5	5	6	8	8	8
General and administrative	8	8	8	9	9	11	11	11
Total operating expenses	21	21	20	23	25	30	29	30
Operating loss	(3)	(3)	(2)	(6)	(7)	(12)	(13)	(14)
Interest expense	—	—	—	—	—	—	—	(1)
Other (income) expense, net	—	—	—	—	—	—	—	—
Loss before income taxes	(3)	(3)	(2)	(6)	(7)	(12)	(13)	(15)
Income tax expense (benefit)	—	—	—	—	—	—	—	—
Net loss	(3)%	(3)%	(2)%	(6)%	(7)%	(12)%	(13)%	(15)%

	Three Months Ended							
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
	(as a percentage of subscription revenue)							
Subscription business revenue	100%	100%	100%	100%	100%	100%	100%	100%
Subscription business cost of revenue	81	82	81	82	81	82	83	82
Subscription business gross profit	19%	18%	19%	18%	19%	18%	17%	18%

Liquidity and Capital Resources

Since inception, we have financed our operations and met capital requirements primarily through the sale of equity securities and from borrowings. Our principal uses of cash are paying claims, funding operations and capital requirements, investing in new member acquisition, enhancements to our member experience and servicing debt. In July 2014, we closed our IPO, pursuant to which we sold 8,193,750 shares of common stock at an offering price of \$10.00 per share. We received net proceeds of approximately \$72.8 million.

Sources of Funds

As of December 31, 2016, we had \$53.2 million of cash and cash equivalents and short-term investments and \$21.6 million available under our line of credit which excludes \$1.6 million reserved under the credit agreement for an outstanding letter of credit and other ancillary services. We believe that our existing cash and cash equivalents, short-term investments and line of credit will be sufficient to fund our operations and statutory capital requirements for at least the next 12 months. From time to time, we may explore additional financing, which could include equity, equity-linked and debt financing. However, there can be no assurance that any additional financing will be available to us on acceptable terms, or at all.

Cash and investments held by our insurance subsidiaries, American Pet Insurance Company (APIC) and Wyndham Insurance Company (SAC) Limited (WICL) Segregated Account AX, are subject to certain capital and dividend rules and regulations as applicable within the jurisdictions in which they are authorized to operate. For more information on this change, see “—Regulation”.

Long-Term Debt

Pacific Western Bank Loan and Security Agreement

In April 2007, we entered into a loan and security agreement with Pacific Western Bank (PWB), formerly with Square 1 Bank, a division of PWB, which we amended and restated in August 2012 and June 2016. In December 2016, we replaced this agreement and entered into a syndicated loan agreement with PWB and Western Alliance Bank (WAB) that increased our facility from \$20.0 million to \$30.0 million. We refer to this amended and restated loan and security agreement as our PWB credit facility. The PWB credit facility provides for a revolving line of credit, under which we may take advances up to \$30.0 million. The maximum amount available to us under the PWB credit facility, inclusive of any amounts outstanding under the revolving line of credit, is the lesser of \$30.0 million and the total amount of cash and securities held by our insurance subsidiaries (APIC and WICL), less up to \$0.5 million for obligations we may have outstanding from PWB and/or WAB for other ancillary services and our \$1.1 million letter of credit.

Interest on the PWB credit facility accrues at a variable annual rate equal to the greater of 4.5% or 1.25% plus the prime rate. The PWB credit facility matures in December 2018 or December 2019 if the revolving line of credit is automatically renewed. The PWB credit facility automatically renews in January 2018 unless canceled by PWB and/or WAB.

The PWB credit facility requires us to maintain certain financial covenants, including having APIC maintain statutory capital and surplus at all times of not less than the greater of \$0.5 million or 110% of the highest amount of statutory capital and surplus required in any state in which APIC is licensed, maintaining a minimum unrestricted cash balance of \$0.6 million in our accounts at WAB and/or one or more WAB affiliates, maintaining all of our depository and operating accounts at PWB and/or WAB, achieving certain quarterly revenue and remaining within certain monthly maximum EBITDA loss levels. EBITDA is defined for such purposes as earnings, plus an amount equal to the sum of (i) tax, plus (ii) depreciation and amortization, plus (iii) interest and non-cash expenses, plus (iv) any non-cash stock compensation expense, plus (v) loss from equity method investments, and minus gain from equity method investments.

The PWB credit facility also requires us to maintain certain non-financial covenants, including those that restrict our ability to dispose of our assets, change the name, location, office or executive management of our business, merge with or acquire other entities, incur other indebtedness, incur encumbrances, pay dividends or make distributions to holders of our capital stock, make investments, engage in transactions with our affiliates, permit withdrawals from APIC (with certain exceptions) and conduct operations in certain of our Canadian subsidiaries. As of December 31, 2016, we were in compliance with each of the financial and non-financial covenants.

Our obligations under the PWB credit facility are secured by substantially all of our assets and a pledge of certain of our subsidiaries' stock. As of December 31, 2016, we had \$5.0 million aggregate borrowings outstanding under the PWB credit facility.

Regulation

As of December 31, 2016, our insurance entities, APIC and Wyndham Insurance Company (SAC) Limited (WICL) Segregated Account AX, held \$29.5 million in short-term investments and \$13.0 million in other current assets, including \$4.4 million held in cash and cash equivalents to be used for operating expenses of our insurance subsidiaries. Most of the assets in APIC and WICL Segregated Account AX are subject to certain capital and dividend rules and regulations prescribed by jurisdictions in which they are authorized to operate. As of December 31, 2016, total assets and liabilities held outside our insurance entities totaled \$37.3 million and \$14.4 million, respectively, including \$14.8 million of cash and cash equivalents that are segregated from other operating funds and are held in trust for the payment of claims on behalf of our insurance subsidiaries.

To comply with these regulations and contractual obligations of APIC and WICL Segregated Account AX, we may be required to maintain capital that we would otherwise invest in our growth and operations, which may require us to modify our operating plan or marketing initiatives, delay the implementation of new solutions or development of new technologies, decrease the rate at which we hire additional personnel and enter into relationships with Territory Partners, incur indebtedness or pursue equity or debt financings or otherwise modify our business operations.

The majority of our investments are held by our insurance entities to satisfy risk-based capital requirements of the National Association of Insurance Commissioners (NAIC). The NAIC requirements provide a method for analyzing the minimum amount of risk-based capital (statutory capital and surplus plus other adjustments) appropriate for an insurance company to support its overall business operations, taking into account the risk characteristics of the company's assets, liabilities and certain other items. An insurance company found to have insufficient statutory capital based on its risk-based capital ratio may be subject to varying levels of additional regulatory oversight depending on the level of capital inadequacy. APIC must hold certain capital amounts in order to comply with the statutory regulations and, therefore, we cannot use these amounts for general operating purposes without regulatory approval. As our business grows, the amount of capital we are required to maintain to satisfy our risk-based capital requirements may increase significantly. As of December 31, 2016, APIC was required to maintain at least \$25.8 million of risk-based capital to avoid this additional regulatory oversight. As of that date, APIC maintained \$30.5 million of risk-based capital. The NY DFS may increase the required levels of risk-based capital in the future, and we anticipate that we will need to maintain greater amounts of risk-based capital if our pet enrollment continues to grow.

New York laws also restrict the ability of APIC to pay dividends to our parent holding company. The dividend restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. In general, dividends or distributions that, in the aggregate in any 12-month period exceed the lesser of (i) 10% of surplus as of the preceding December 31 or (ii) the insurer's adjusted net investment income for such 12-month period ended the preceding December 31, not including realized capital gains, are subject to approval by regulatory authorities. As of December 31, 2016, \$0.1 million was able to be paid in the form of a dividend from APIC to our parent holding company without prior approval from regulatory authorities.

WICL Segregated Account AX

WICL Segregated Account AX was established by WICL, with Trupanion, Inc. as the shareholder, to enter into a reinsurance agreement with Omega General Insurance Company. All of the assets and liabilities of WICL Segregated Account AX are legally segregated from other assets and liabilities within WICL and all shares of the segregated account are owned by Trupanion, Inc. Our agreements with WICL do not allow dividends to be paid to our parent company until 2017. Subsequent to December 31, 2016, our parent entity received a dividend of \$2.7 million from Wyndham Insurance Company (SAC) Limited (WICL) Segregated Account AX as allowed under our agreements with WICL. As required by the Office of the Superintendent of Financial Institutions regulations related to our reinsurance agreement with Omega General Insurance Company, we are required to maintain a Canadian Trust account with the greater of CAD \$2 million or 115% of unearned Canadian premium plus 15% of outstanding Canadian claims, including all incurred but not reported claims.

Though we are not directly regulated by the Bermuda Monetary Authority (BMA), WICL's regulation and compliance impacts us as it could have an adverse impact on the ability of Segregated Account AX to pay dividends. WICL is regulated by the BMA under the Insurance Act of 1978 (Insurance Act) and the Segregated Accounts Company Act of 2000. The Insurance Act imposes on Bermuda insurance companies, solvency and liquidity standards, certain restrictions on the declaration and payment of dividends and distributions, certain restrictions on the reduction of statutory capital, and auditing and reporting requirements, and grants the BMA powers to supervise and, in certain circumstances, to investigate and intervene in the affairs of insurance companies. Under the Insurance Act, WICL as a class 3 insurer is required to maintain available statutory capital and surplus at a level equal to or in excess of a prescribed minimum established by reference to net written premiums and loss reserves.

Under the Bermuda Companies Act of 1981, as amended, a Bermuda company may not declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than its liabilities. The Segregated Accounts Company Act of 2000 further requires that dividends out of a segregated account can only be paid to the extent that the cell remains solvent and the value of its assets remain greater than the aggregate of its liabilities and its issued share capital and share premium accounts.

Investments

As of December 31, 2016, we had \$32.1 million of short-term and long-term investments in our insurance entities. These investments are held to satisfy statutory requirements and support operating needs. The majority of our investments are highly rated U.S. treasury securities, certificates of deposit, and U.S. government funds. In addition we have one investment in a municipal bond which is insured by a third-party insurance company with a rating of “A2” with Moody’s.

Historical Cash Flow Trends

The following table shows a summary of our cash flows for the periods indicated (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Net cash provided by (used in) operating activities	\$ 5,006	\$ (10,425)	\$ (10,801)
Net cash used in investing activities	(6,508)	(9,923)	(11,926)
Net cash provided by (used in) financing activities	7,672	(14,208)	57,863
Effect of exchange rates on cash	111	(586)	23
Net change in cash, cash equivalents, and restricted cash	\$ 6,281	\$ (35,142)	\$ 35,159

Operating Cash Flows

We derive operating cash flows from cash collected from the sale of subscriptions to our medical plan, which is used to pay claims and other cost of revenue. Additionally, cash is used to support the growth of our business by reinvesting to acquire new pets and projects to improve member experience.

Net cash provided by operating activities for the year ended December 31, 2016 consisted of our net loss of \$6.9 million reduced by non-cash expenses, including stock-based compensation of \$2.9 million and depreciation and amortization of \$3.8 million and a \$5.0 million change in operating assets and liabilities. The change in cash provided by (used in) operating activities was primarily related to the \$10.3 million improvement in net loss, driven by higher revenue and decreased operating expenses as a percentage of revenue as we experienced efficiencies in our claims and customer service departments and experienced scale in our technology and development and general and administrative departments. Additionally, we reduced spend as a percentage of revenue in our sales and marketing department.

Net cash used in operating activities for 2015 consisted of our net loss of \$17.2 million reduced by non-cash expenses, including stock-based compensation of \$3.0 million and the amortization of \$2.5 million and a \$1.3 million change in operating assets, which were primarily driven by an increase in claims paid, increased spend on marketing and technology initiatives, increased payables due to timing of payments, as well as an increase in prepaid assets due to prepayments for benefits and a new billing system. These increases in cash used in operating activities were partially offset by increased revenue due to enrollment growth and higher average revenue per pet.

Net cash used in operating activities for 2014 consisted of our net loss of \$21.2 million reduced by non-cash expenses, including stock-based compensation of \$4.1 million and the amortization of the debt discount of \$5.0 million as well as changes in our operating assets and liabilities of \$1.1 million, which were primarily driven by an increase in claims paid, increased spend on marketing and technology initiatives, as well as an increase in prepaid assets due to advance payment insurance. These increases in cash used in operating activities were partially offset by increased revenue due to enrollment growth and higher average revenue per pet.

Investing Cash Flows

Net cash used in investing activities for each of the periods presented was primarily related to the net purchase of investments to increase our statutory capital. We expect to continue increasing our statutory capital as we expand our operations. In addition, purchases of property and equipment decreased from the year ended December 31, 2015 to the year ended December 31, 2016 due to decreased spending related to internally developed software projects including our direct pay initiative.

Financing Cash Flows

Historically, we have funded our operations through the issuance of common and preferred stock and the incurrence of indebtedness. In July 2014, we completed our IPO, pursuant to which we sold 8,193,750 shares of common stock at an offering price of \$10.00 per share.

For the year ended December 31, 2016, net cash provided by financing activities primarily consisted of borrowings under our line of credit of \$5.0 million and proceeds from the exercise of stock options of \$3.7 million, partially offset by \$0.7 million for tax withholding on restricted stock.

For 2015, net cash used in financing activities primarily consisted of debt repayments of \$14.9 million. In addition, we received \$1.3 million in proceeds from the exercise of stock options.

For 2014, net cash provided by financing activities included the net proceeds from our IPO of \$72.8 million and debt financing of \$17.0 million. Net cash used in financing activities consisted primarily of debt repayments of \$32.0 million.

Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, primarily debt obligations and non-cancellable operating leases. Our contractual cash obligations as of December 31, 2016 are set forth below (in thousands):

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations	\$ 5,450	\$ 225	\$ 5,225	\$ —	\$ —
Capital lease obligations	581	374	207	—	—
Operating lease obligations	20,702	1,510	3,880	4,283	11,029
Strategic marketing and service provider agreements	2,450	1,269	1,114	67	—
Other obligations	3,755	2,355	1,331	69	—

Critical Accounting Policies and Significant Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities, revenue and expenses at the date of the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies and estimates include those related to:

- stock-based compensation;
- income taxes; and
- claims reserve.

Stock-Based Compensation

Compensation expense related to stock-based transactions, including employee and non-employee stock option awards, and restricted stock awards and units, is measured and recognized in the financial statements based on fair value. The fair value of each option award is estimated on the grant date using the Black-Scholes-Merton option-pricing model. All of our stock-based awards have been for instruments tied to our common stock. The stock-based compensation expense, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service periods of the awards, which are generally four years. Many factors are considered when estimating forfeitures, including types of awards, employee class and historical experience.

Key assumptions. Our Black-Scholes-Merton option-pricing model requires the input of highly subjective assumptions, including the fair value of the underlying stock, the expected volatility of the price of our stock, the expected term of the option, risk-free interest rates and the expected dividend yield of our stock. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future. These assumptions are estimated as follows:

- *Expected volatility*—As we do not have a significant trading history for our common stock, the expected stock price volatility for our common stock was estimated by taking the average historic price volatility for identified peers based on daily price observations over a period equivalent to the expected term of the stock option grants and warrant

issuances. We did not rely on implied volatilities of traded options or warrants in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own share price becomes available.

- *Expected term* —The expected term represents the period that our stock-based awards are expected to be outstanding. As we do not have sufficient historical experience for determining the expected term of the stock-based awards granted, we have based our expected term for awards issued to employees on the simplified method, which represents the average period from vesting to the expiration of the stock option.
- *Risk-free interest rate* —The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options.
- *Expected dividend yield* —We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

In addition to the assumptions used in the Black-Scholes-Merton option-pricing model, the amount of stock option expense we recognize in our consolidated statements of operations includes an estimate of stock option forfeitures. Estimated forfeitures did not have a material impact on our assumptions in 2016, 2015 or 2014.

Income Taxes

We use the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect when such assets and liabilities are recovered or settled. We determine deferred tax assets, including net operating losses (NOLs) and liabilities, based on temporary differences between the book and tax bases of assets and liabilities. We believe that it is currently more likely than not that our deferred tax assets will not be realized, and as such, a full valuation allowance is required. In addition, annual use of our net operating loss carryforwards and credit carryforwards may be limited if we experience an ownership change. As of December 31, 2016, the utilization of approximately \$0.5 million of net operating losses are subject to limitation as a result of prior ownership changes; however, subsequent ownership changes may further affect the limitation in future years.

Claims Reserve

Our claims reserve represents estimated claims and claim settlement costs with respect to covered claims that have occurred as of the balance sheet date. The liabilities for claims and claim adjustment expenses are recorded at the estimated ultimate payment amounts. Estimated ultimate payment amounts are based upon a number of factors, including claims information received from members and estimates of incurred but not reported claims. Historical claims data as well as expected developments in the industry, internal claims adjustment expense forecasts, and the economy as a whole are considered by our team of pet medical insurance actuaries when developing our claims reserve.

In establishing estimates for these factors, we must make various assumptions regarding frequency and severity of claims, length of time to achieve ultimate settlement of claims, estimated deductible applicable to incurred claims, and changes in the cost of veterinary care. Due to the inherent uncertainty associated with these estimates, and the cost of incurred but unreported claims, our actual liabilities may be different from our original estimates. On a monthly basis, we review our reserve for claims and claims settlement costs to determine whether further adjustments are required. Any resulting adjustments are included in the current period's results.

As of December 31, 2016 and 2015, our reserve for claims incurred but not yet reported was \$9.5 million and \$6.3 million, respectively. We believe the amount of our claims reserve as of December 31, 2016 is adequate and we do not believe that there are any reasonably likely changes in the facts or circumstances underlying key assumptions that would result in the reserve for claims being insufficient in an amount that would have a material impact on our reported results, financial position or liquidity. The ultimate liability, however, may be in excess of or less than the amount we have reserved. During 2016, we experienced actual claims that were greater than our estimate for prior year reserves by \$0.7 million. During 2015 and 2014, we experienced actual claims that were below our estimate for prior year reserves by less than \$0.1 million and \$0.5 million, respectively. Historically, approximately 95% of claims have been settled within three months of the claim date.

Item 7A. Quantitative and Qualitative Disclosures About Market Risks

We are exposed to various market risks, including the risks inherent in our insurance business and changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices.

Interest Rate Risk

The principal market risk we face is interest rate risk. We had cash and cash equivalents of \$23.6 million and \$32.1 million in investments as of December 31, 2016, which consisted of both highly-liquid investments with an original maturity of twelve months or less and long-term low-risk investments. We believe that we do not have significant exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short-term nature of most of our investments coupled with the security behind our long-term investments. Historically, our investment income has not been a material part of our operations.

As of December 31, 2016, our aggregate outstanding indebtedness was \$5.0 million, which was borrowed pursuant to our revolving line of credit with Pacific Western Bank (PWB) and Western Alliance Bank (WAB). This PWB credit facility bears interest at the rate of greater of 4.5% or 1.25% plus the prime rate and matures in December 2018 or December 2019 if the PWB credit facility is automatically renewed. Interest on any borrowings under the PWB credit facility would accrue at a rate based on a formula tied to certain market rates at the time of incurrence. However, we do not expect that any change in prevailing interest rates will have a material impact on our results of operations or cash flows. For more information regarding this credit agreement, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources— *Long-Term Debt* ."

Foreign Currency Exchange Risk

We generate a significant portion of our revenue in Canada. In 2016, our Canadian operations accounted for 20% of our revenue. Our revenue and expenses are generally denominated in the currencies in which our operations are located, which are the United States and Canada. As our operations in Canada or the United States grow on an absolute basis and/or relative to one another, our results of operations and cash flows will be subject to fluctuations due to changes in foreign currency exchange rates.

Upon consolidation, as exchange rates vary, revenues and other operating results may differ materially from expectations. For example, had the average 2015 Canadian currency exchange rate remained consistent into 2016, Canadian revenues would have been \$1.3 million higher after the foreign currency conversion. Our analysis of operating results transacted in Canadian currency indicated that a hypothetical 10% change in the Canadian currency exchange rate could have increased or decreased our total revenues by approximately \$3.7 million for the year ended December 31, 2016. To date, we have not entered into any material foreign currency hedging contracts although we may do so in the future.

Item 8. Financial Statements and Supplementary Data

**Trupanion Inc.
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Trupanion, Inc.

We have audited the accompanying consolidated balance sheets of Trupanion, Inc. as of December 31, 2016 and 2015 , and the related consolidated statements of operations, comprehensive loss, changes in redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2016 . Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 consolidated financial position of Trupanion, Inc. at December 31, 2016 and 2015 , and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 , in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Seattle, Washington
February 15, 2017

Trupanion, Inc.
Consolidated Statements of Operations
(in thousands, except for share and per share data)

	Years Ended December 31,		
	2016	2015	2014
Revenue	\$ 188,230	\$ 146,963	\$ 115,910
Cost of revenue:			
Claims expenses	133,534	103,324	79,913
Other cost of revenue	21,408	18,410	16,123
Gross profit	33,288	25,229	19,874
Operating expenses:			
Sales and marketing	15,247	15,231	11,608
Technology and development	9,534	11,215	9,899
General and administrative	15,205	15,558	14,312
Total operating expenses	39,986	42,004	35,819
Operating loss	(6,698)	(16,775)	(15,945)
Interest expense	218	325	6,726
Other income, net	(58)	(9)	(1,487)
Loss before income taxes	(6,858)	(17,091)	(21,184)
Income tax expense (benefit)	38	114	(7)
Net loss	\$ (6,896)	\$ (17,205)	\$ (21,177)
Net loss per share attributable to common stockholders:			
Basic and diluted	\$ (0.24)	\$ (0.62)	\$ (1.64)
Weighted average shares used to compute net loss per share attributable to common stockholders:			
Basic and diluted	28,527,602	27,638,443	12,934,477

Trupanion, Inc.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Years Ended December 31,		
	2016	2015	2014
Net loss	\$ (6,896)	\$ (17,205)	\$ (21,177)
Other comprehensive income (loss):			
Foreign currency translation adjustments	79	(517)	65
Change in unrealized losses on available-for-sale securities	46	4	110
Other comprehensive income (loss), net of taxes	125	(513)	175
Comprehensive loss	\$ (6,771)	\$ (17,718)	\$ (21,002)

Trupanion, Inc.
Consolidated Balance Sheets
(in thousands, except for share data)

	Years Ended December 31,	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,637	\$ 17,956
Short-term investments	29,570	25,288
Accounts and other receivables	10,118	8,196
Prepaid expenses and other assets	2,062	2,193
Total current assets	65,387	53,633
Restricted cash	600	—
Long-term investments, at fair value	2,579	2,388
Equity method investment	271	300
Property and equipment, net	8,464	9,719
Intangible assets, net	4,910	4,854
Other long term assets	134	23
Total assets	\$ 82,345	\$ 70,917
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,006	\$ 1,289
Accrued liabilities	4,322	4,189
Claims reserve	9,521	6,274
Deferred revenue	13,463	11,042
Deferred tax liabilities	251	169
Other payables	1,094	654
Total current liabilities	30,657	23,617
Long-term debt	4,767	—
Deferred tax liabilities	1,372	1,433
Other liabilities	834	511
Total liabilities	37,630	25,561
Stockholders' equity:		
Common stock, \$0.00001 par value per share, 100,000,000 shares authorized at December 31, 2016 and 200,000,000 shares authorized at December 31, 2015, 30,156,247 and 29,498,947 shares issued and outstanding at December 31, 2016; 29,017,168 and 28,396,189 shares issued and outstanding at December 31, 2015.	—	—
Preferred stock: \$0.00001 par value per share, 10,000,000 shares authorized at December 31, 2016 and December 31, 2015, and 0 shares issued and outstanding at December 31, 2016 and December 31, 2015.	—	—
Additional paid-in capital	129,574	122,844
Accumulated other comprehensive loss	(377)	(502)
Accumulated deficit	(81,281)	(74,385)
Treasury stock, at cost: 657,300 shares at December 31, 2016, and 620,979 shares at December 31, 2015.	(3,201)	(2,601)
Total stockholders' equity	44,715	45,356
Total liabilities and stockholders' equity	\$ 82,345	\$ 70,917

Trupanion, Inc.
Consolidated Statements of Changes in Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)
(in thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Common Stock		Special Voting Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2013	14,857,989	31,724	2,236,641	—	2,247,130	—	5,769	(36,003)	(164)	(2,601)	(32,999)
Conversion of special voting shares to common stock	—	—	2,247,130	—	(2,247,130)	—	—	—	—	—	—
Conversion of preferred stock to common stock	(14,944,945)	(32,724)	14,944,945	—	—	—	32,724	—	—	—	32,724
Exercise of warrants	86,956	1,000	25,170	—	—	—	270	—	—	—	270
Proceeds from IPO, net of issuance costs	—	—	8,193,750	—	—	—	72,722	—	—	—	72,722
Reclassification of warrant liabilities	—	—	—	—	—	—	3,180	—	—	—	3,180
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	—	—	183,305	—	—	—	181	—	—	—	181
Stock-based compensation expense	—	—	—	—	—	—	4,199	—	—	—	4,199
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	175	—	175
Net loss	—	—	—	—	—	—	—	(21,177)	—	—	(21,177)
Balance at December 31, 2014	—	—	27,830,941	—	—	—	119,045	(57,180)	11	(2,601)	59,275
Issuance of restricted stock	—	—	4,616	—	—	—	—	—	—	—	—
Tax withholding on restricted stock	—	—	(72,197)	—	—	—	(643)	—	—	—	(643)
Exercise of stock options	—	—	632,829	—	—	—	1,335	—	—	—	1,335
Stock-based compensation expense	—	—	—	—	—	—	3,107	—	—	—	3,107
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(513)	—	(513)
Net loss	—	—	—	—	—	—	—	(17,205)	—	—	(17,205)
Balance at December 31, 2015	—	—	28,396,189	—	—	—	122,844	(74,385)	(502)	(2,601)	45,356
Issuance of restricted stock	—	—	2,511	—	—	—	—	—	—	—	—
Tax withholding on restricted stock	—	—	(42,798)	—	—	—	(662)	—	—	—	(662)
Exercise of stock options	—	—	1,119,367	—	—	—	3,745	—	—	—	3,745
Exercise of warrants	—	—	59,999	—	—	—	600	—	—	—	600
Purchase of treasury stock	—	—	(36,321)	—	—	—	—	—	—	(600)	(600)
Stock-based compensation expense	—	—	—	—	—	—	3,047	—	—	—	3,047
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	125	—	125
Net loss	—	—	—	—	—	—	—	(6,896)	—	—	(6,896)
Balance at December 31, 2016	— \$	—	29,498,947 \$	—	— \$	—	\$ 129,574	\$ (81,281)	\$ (377)	\$ (3,201)	\$ 44,715

Trupanion, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		
	2016	2015	2014
Operating activities			
Net loss	\$ (6,896)	\$ (17,205)	\$ (21,177)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	3,846	2,542	1,674
Amortization of debt discount and prepaid loan fees	58	21	5,033
Warrant income	—	—	(1,574)
Stock-based compensation expense	2,946	3,002	4,084
Other, net	46	(89)	57
Changes in operating assets and liabilities:			
Accounts and other receivable	(1,830)	(328)	(126)
Prepaid expenses and other current assets	48	(905)	(369)
Accounts payable	652	(347)	449
Accrued liabilities	175	51	551
Claims reserve	3,226	1,241	(505)
Deferred revenue	2,398	1,779	877
Other payables	337	(187)	225
Net cash provided by (used in) operating activities	5,006	(10,425)	(10,801)
Investing activities			
Purchases of investment securities	(31,616)	(24,800)	(34,894)
Maturities of investment securities	27,247	20,180	28,601
Equity method investment	—	(300)	—
Purchases of property and equipment	(1,941)	(4,894)	(5,633)
Other	(198)	(109)	—
Net cash used in investing activities	(6,508)	(9,923)	(11,926)
Financing activities			
Tax withholding on restricted stock	(662)	(643)	—
Proceeds from exercise of stock options	3,745	1,335	211
Proceeds from (repayment of) debt financing	4,988	(14,900)	(15,000)
Payments on capital lease obligations	(204)	—	—
Other financing costs	(195)	—	(103)
Net proceeds from IPO	—	—	72,755
Net cash provided by (used in) financing activities	7,672	(14,208)	57,863
Effect of foreign exchange rates on cash, net	111	(586)	23
Net change in cash, cash equivalents, and restricted cash	6,281	(35,142)	35,159
Cash, cash equivalents, and restricted cash at beginning of period	17,956	53,098	17,939
Cash, cash equivalents, and restricted cash at end of period	\$ 24,237	\$ 17,956	\$ 53,098
Supplemental disclosures			
Income taxes paid	19	139	9
Interest paid	153	155	1,494
Noncash investing and financing activities:			
Warrants issued in conjunction with debt issuance	—	—	1,124
Increase in payables for property and equipment	104	98	911
Cashless exercise of preferred stock warrants	—	—	1,270
Cashless exercise of common stock warrants	600	—	—
Common stock warrant reclassification to equity	—	—	3,180
Property and equipment acquired under capital lease	559	—	—

Trupanion, Inc.
Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

Description of Business

The Company provides medical insurance plans for cats and dogs throughout the United States, Canada and Puerto Rico. The Company's data-driven, vertically-integrated approach enables us to provide pet owners with what the Company believes is the highest value medical plan for their pets, priced specifically for each pet's unique characteristics. The Company strives to operate the business similar to other subscription-based businesses, with a focus on maximizing the lifetime value of each pet while sustaining a favorable ratio of lifetime value relative to pet acquisition cost.

Reclassifications

Certain prior year amounts have been reclassified within the Company's consolidated financial statements from their original presentation to conform to the current period presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies and the reported amounts of revenue and expenses. Significant items subject to such estimates and assumptions include the valuation of deferred tax assets, stock-based compensation, claims reserve, useful lives of software developed for internal use, allowance for doubtful accounts, and income tax uncertainties. Actual results could differ from the estimates used in preparing the consolidated financial statements.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash totaled \$24.2 million at December 31, 2016 and was comprised of \$23.6 million cash and cash equivalents and \$0.6 million restricted cash. There was no restricted cash as of December 31, 2015 and 2014.

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At times, cash on deposit may be in excess of the applicable federal deposit insurance corporation limits.

The Company considers any cash account that is restricted to withdrawal or use under the terms of certain financing agreements as restricted cash. Cash will be considered restricted for so long as the line of credit it relates to is open. Restricted cash pledged as collateral for its credit facility totaled \$0.6 million at December 31, 2016 .

Accounts and Other Receivable

Receivables are comprised of trade receivables and other miscellaneous receivables. As of December 31, 2016 and 2015 , receivables included \$8.0 million and \$7.2 million , respectively, for one-year policies written by an unaffiliated general agent. Accounts and other receivable are carried at their estimated collectible amounts.

No single customer made up more than 5% of accounts receivable as of December 31, 2016 or 2015 .

Deferred Acquisition Costs

The Company incurs certain costs related to the successful acquisition of new and renewal customer contracts, which are capitalized. These costs include premium taxes, fees and enrollment-based bonuses, and referral fees that directly relate to the successful acquisition of new or renewal customer contracts. Deferred acquisition costs are included in prepaid expenses and other assets on the consolidated balance sheet and are amortized over the related policy term to the applicable financial statement line item, including sales and marketing expenses and other cost of revenue. Total deferred acquisition costs for the years ended December 31, 2016, 2015 and 2014 are summarized below (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Deferred acquisition costs capitalized	\$ 12,251	\$ 10,184	\$ 7,995
Deferred acquisition costs amortized:			
Sales and marketing	1,401	1,490	858
Other cost of revenue	10,743	8,606	7,052
Total amortization	12,144	10,096	7,910
Balance at December 31,	\$ 664	\$ 557	\$ 469

Investments

The Company recognizes the following classifications of investments:

Short-term-investments —Investments with an initial maturity of less than one year are reported at amortized cost, which approximates fair value.

Available-for-Sale —Investments in fixed maturities not classified as short-term-investments are reported at fair value, and the temporary declines or increases from amortized cost are included as a component of other comprehensive income.

Available-for-sale securities are classified based upon the availability to be used in current operations.

Premiums and discounts on fixed maturity securities are amortized or accreted over the life of the security. Such amortization expense and accretion is included in interest income. Interest income is recognized in other income, net when earned.

A decline in the fair value of any available-for-sale security below amortized cost that is deemed to be other than temporary results in an impairment to reduce the amortized cost to fair value or recovery value. To determine whether an impairment is other than temporary, the Company considers its intent to sell the security, intent and ability to hold the security, as well as all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts, when developing estimates of cash flows expected to be collected. Realized capital gains and losses are determined on a specific identification basis and recorded as a part of other expense, net in the statement of operations.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years. Leasehold improvements are depreciated over the less of their expected useful life or the remaining term of the related lease. Fixed assets under capital lease are depreciated over the lesser of their expected useful life or the remaining term of the related lease.

Costs related to software developed for internal use are primarily related to the Company's website, internal support systems, and proprietary billing and claims systems. Costs are capitalized during the application development stage of the project and depreciated on a straight-line basis over the estimated useful lives of the related assets, estimated to be three years, once the software is placed into service.

Intangible Assets

Indefinite-lived intangible assets, which are not amortized, are assessed for impairment at least annually and more frequently if circumstances indicate a possible impairment. The Company first performs a qualitative analysis to assess whether it is more likely than not the asset is impaired and, if necessary, a quantitative analysis is performed to measure impairment.

Assets with finite lives are amortized over their estimated remaining useful life.

Asset Impairment

Long-lived assets, such as property and equipment and definite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by the asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Claims Reserve

The claims reserve includes unpaid claims and claims adjustment expenses, which includes an estimate, based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period in which they become known.

Warrants

The Company issued warrants to purchase common or convertible preferred stock to third parties as a part of certain business and financing transactions. The Company values warrants using the Black-Scholes-Merton option-pricing model. Certain warrants were considered liability awards and were remeasured each reporting period until exercised, settled or reclassified to stockholders' equity. See Note 12 for additional information.

Revenue Recognition

The Company generates revenue primarily from subscription fees for its medical insurance plan and other policies the Company writes, which is earned pro rata over the terms of the customer contracts.

No single customer accounted for more than 5% of the Company's revenue in 2016, 2015 or 2014.

Claims Expense

Claims expenses include claims incurred, the cost of personnel administering the claims and providing member service relating to claims, and other operating expenses directly or indirectly related to claims administration.

Other Cost of Revenue

Other cost of revenue for the subscription business segment includes direct and indirect member service expenses, renewal fees, credit card transaction fees and premium tax expenses. Other cost of revenue for the other business segment includes the commission the Company pays to the unaffiliated general agent and premium taxes on other policies in this segment.

Sales and Marketing

Sales and marketing expenses consist of costs to educate veterinarians and policy holders about the Company's policy, converting leads to enrolled pets, print, online and promotional advertising costs and employee compensation and related costs.

Technology and Development

Technology and development expenses consist primarily of personnel costs and related expenses for the Company's operations staff, which includes information technology development and infrastructure support, third-party services and depreciation of hardware and capitalized software and amortization of intangible assets.

General and Administrative

General and administrative expenses consist primarily of personnel costs and related expenses for the Company's finance, actuarial, human resources, legal and general management functions, as well as facilities and professional services.

Other Income, Net

Other income, net was comprised of the following (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Interest income	\$ (119)	\$ (75)	\$ (73)
Foreign exchange loss	—	36	41
Loss on disposal of fixed assets	24	20	111
Warrant remeasurement	—	—	(1,574)
Other	37	10	8
Other income, net	\$ (58)	\$ (9)	\$ (1,487)

Insurance Operations

Effective January 1, 2015, the Company formed a segregated account in Bermuda as part of Wyndham Insurance Company (SAC) Limited (WICL), and entered into a revised fronting and reinsurance arrangement with Omega General Insurance Company (Omega) to include its newly formed segregated account. The Company maintains all risk with the business written in Canada and consolidates the entity in its financial statements. Contractual requirements restrict dividends from this entity until after 2016, at which time dividends will be allowed subject to the Segregated Accounts Company Act of 2000, which allows for dividends only to the extent that the entity remains solvent and the value of its assets remain greater than the aggregate of its liabilities and its issued share capital and share premium accounts.

For the Company's Canadian business, all plans are written by Omega General Insurance Company (Omega) and the risk is assumed by the Company through a fronting and reinsurance agreement. Premiums are recognized and earned pro rata over the terms of the related customer contracts. Premiums recognized from the agreement in 2016, 2015 and 2014 were \$ 36.5 million, \$ 30.9 million and \$ 29.1 million, respectively and deferred revenue relating to this arrangement at December 31, 2016 and 2015 was \$1.3 million and \$ 0.9 million, respectively. Reinsurance revenue was 19%, 21% and 25% of total revenue in 2016, 2015 and 2014, respectively. Cash designated for the purpose of paying claims related to this reinsurance agreement was \$2.1 million and \$2.0 million at December 31, 2016 and 2015, respectively. In addition, as required by the Office of the Superintendent of Financial institutions regulations related to the Company's reinsurance agreement with Omega, the Company is required to fund a Canadian Trust account with the greater of CAD \$2.0 million or 115% of unearned Canadian premium plus 15% of outstanding Canadian claims, including all incurred but not reported claims. As of December 31, 2016, the Company was in compliance with all requirements.

The Company has not transferred any risk to third-party reinsurers.

In November 2012, the Company began writing one-year pet insurance policies for an unaffiliated general agent. Revenue during 2016, 2015 and 2014 totaled \$10.8 million, \$9.9 million and \$10.0 million, respectively, and deferred revenue relating to this arrangement at December 31, 2016 and 2015 was \$6.1 million and \$5.5 million, respectively.

Advertising

Advertising costs are expensed as incurred, with the exception of television advertisements, which are expensed the first time each advertisement is aired. Advertising costs amounted to \$4.0 million, \$5.3 million and \$3.2 million, in 2016, 2015 and 2014, respectively.

Stock-Based Compensation

The Company measures compensation expense for stock-based transactions to employees at fair value on the date of grant and recognizes such cost, on a straight-line basis over the requisite service period (generally four years) net of estimated forfeitures, except for the restricted stock with a performance condition which is measured on a graded vesting schedule. Many factors are considered when estimating forfeitures, including types of awards, employee class and historical experience. Stock options are valued using the Black-Scholes-Merton option-pricing model. The fair value of restricted stock units (RSUs) and restricted stock awards is based on the fair value of the Company's stock on the date of the grant.

The Company measures compensation cost for stock-based compensation to non-employees at fair value and remeasures the award each period until the award vests.

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Valuation allowances are provided for when it is considered more likely than not that deferred tax assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than a 50% likelihood of being realized. Penalties and interest are classified as a component of income taxes.

Foreign Currency

The Company's consolidated financial statements are reported in U.S. dollars. Assets and liabilities of international subsidiaries with non-U.S. dollar functional currencies are translated to U.S. dollars at the exchange rates in effect on the balance sheet date. Revenue and expenses for each subsidiary are translated to U.S. dollars using a weighted-average rate for the relevant reporting period. Translation adjustments resulting from this process are included in accumulated other comprehensive loss, and totaled \$0.4 million, \$0.4 million and \$0.1 million as of December 31, 2016, 2015 and 2014, respectively. Gains and losses that arise from exchange rate fluctuations for monetary asset and liability balances that are not denominated in an entity's functional currency are included within other income.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. The Company manages its risk by investing cash equivalents and investment securities in money market instruments and securities of the U.S. government, U.S. government agencies and high-credit-quality issuers of debt securities.

Credit risk with respect to accounts receivable is dispersed due to the large number of customers. In addition, the Company's credit risk is mitigated by the relatively short collection period.

Accounting Pronouncements Adopted during Period

In May 2015, the FASB issued an ASU amending short-term insurance contract disclosures and requiring more detailed disclosures to enable users of financial statements to understand information relating to liabilities for unpaid claims and claims adjustment expenses. Additionally, the amendments will also require insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate these liabilities. The Company adopted this ASU as of December 31, 2016 and has provided the required disclosures in Note 9.

In November 2016, the FASB issued an ASU which requires amounts determined to be restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. This ASU is effective for fiscal periods beginning after December 15, 2018 including interim periods within that reporting period, with early adoption permitted. The Company adopted this ASU as of December 31, 2016 and has retrospectively applied all provisions by providing comparative disclosures for each period presented.

Recent Accounting Pronouncements

In November 2015, the FASB issued an ASU amending the accounting for income taxes and requiring all deferred tax assets and liabilities to be classified as non-current on the consolidated balance sheet. The ASU is effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The ASU may be adopted either prospectively or retrospectively. The Company adopted this guidance retrospectively as of January 1, 2017. The Company anticipates that this guidance will not have a material impact on the financial statements resulting from the reclassification of deferred taxes to non-current.

In February 2016, the FASB issued an ASU amending the lease presentation guidance. The ASU requires organizations that lease assets to recognize the rights and obligations created by those leases on the balance sheet. This ASU is effective for fiscal years beginning after December 15, 2018 including interim periods within that reporting period, with early adoption permitted. The Company plans to adopt this guidance as of January 1, 2019. The Company has determined this guidance will require recognition of a lease liability and corresponding asset on the balance sheet equal to the present value of minimum lease payments. The carrying amount of the asset is derived from the amount of the lease liability at the end of each reporting period.

In March 2016, the FASB issued an ASU amending the accounting for employee share-based payments, including income tax recognition and classification. The entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. Additionally, tax withholding of shares will be allowed up to the employees' maximum individual tax rate in the relevant jurisdiction without resulting in liability classification of the award. Finally, under the new guidance, companies will no longer record excess tax benefits and certain tax deficiencies in additional paid-in capital on the balance sheet. Instead, companies will record all excess tax benefits and deficiencies as income tax expense or benefit in the income statement. This ASU is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period, with early adoption permitted. The Company adopted this guidance as of January 1, 2017. The Company has determined the guidance for estimating forfeitures does not currently have a material impact to the financial statements. The guidance for tax withholding on RSU's may have a material impact on cash flow from financing activities to the extent individual employees elect to withhold shares at rates higher than the statutory minimum. The guidance related to the accounting for excess tax benefits and deficiencies will result in an initial adjustment as of January 1, 2017 to the Company's net operating loss deferred tax asset to eliminate the Company's existing APIC pool amounting to \$4.3 million, which will be offset by an adjustment to the company's valuation allowance.

In August 2016, the FASB issued an ASU which addresses eight specific cash flow issues intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This ASU is effective for fiscal periods beginning after December 15, 2017 including interim periods within that reporting period, with early adoption permitted. The Company plans to adopt this guidance as of January 1, 2018. The Company is in the process of assessing the impact of this guidance.

2. Net Loss per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding for the period. Excluded from the weighted-average number of shares outstanding are shares that have been issued and are subject to future vesting and unvested restricted stock. Diluted net loss per share is calculated by dividing the net loss by the weighted-average number of common stock equivalents outstanding for the period determined using the treasury-stock method. Potentially dilutive common stock equivalents are comprised of unvested restricted stock, stock options and warrants. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

The following potentially dilutive equity securities were not included in the diluted net loss per common share calculation because they would have had an antidilutive effect:

	As of December 31,		
	2016	2015	2014
Stock options	4,123,023	4,871,949	5,112,556
Restricted stock awards and units	352,996	472,384	592,625
Warrants	810,000	869,999	869,999

3. Property and Equipment, Net

Property and equipment, along with their useful lives, were as follows for the years ended December 31, 2016 and 2015 (in thousands):

	Years Ended December 31,	
	2016	2015
Office and telephone equipment (5 years)	\$ 129	\$ 127
PC and networking hardware (3–4 years)	1,191	1,177
Software (3–5 years)	14,340	12,547
Furniture and fixtures (5 years)	618	711
Vehicles (5 years)	54	54
Fixed assets under capital lease (over less of expected useful life or life of lease)	478	—
Leasehold improvement (over less of expected useful life or life of lease)	—	621
Property and equipment	16,810	15,237
Accumulated depreciation	(8,346)	(5,518)
Property and equipment, net	\$ 8,464	\$ 9,719

Depreciation expense for property and equipment was \$3.8 million , \$2.5 million and \$1.6 million for 2016 , 2015 and 2014 , respectively.

The Company capitalized interest of \$0.2 million in 2016 , 2015 and 2014 related to software developed for internal use.

4. Intangible Assets

The Company acquired an insurance company in 2007, which originally included licenses in 23 states. These licenses were valued at \$4.8 million. The Company is currently licensed in all 50 states, the District of Columbia and Puerto Rico. Most licenses are renewed annually upon payment of various fees assessed by the issuing state. Renewal costs are expensed as incurred. This is considered an indefinite-lived intangible asset given the planned renewal of the certificates of authority and applicable licenses for the foreseeable future. No impairments have been recorded on this asset as of December 31, 2016.

5. Investment Securities

The amortized cost, gross unrealized holding losses, and fair value of available-for-sale and short-term investments by major security type and class of security were as follows as of December 31, 2016 and 2015 (in thousands):

	Amortized Cost	Gross Unrealized Holding Losses	Fair Value
As of December 31, 2016			
Available-for-sale:			
Foreign deposits	\$ 1,587	\$ —	\$ 1,587
Municipal bond	1,000	(8)	992
	<u>\$ 2,587</u>	<u>\$ (8)</u>	<u>\$ 2,579</u>
Short-term investments:			
U.S. Treasury securities	\$ 5,791	\$ —	\$ 5,791
Certificates of deposit	707	—	707
U.S. government funds	23,072	—	23,072
	<u>\$ 29,570</u>	<u>\$ —</u>	<u>\$ 29,570</u>
As of December 31, 2015			
Available-for-sale:			
Foreign deposits	\$ 1,442	\$ —	\$ 1,442
Municipal bond	1,000	(54)	946
	<u>\$ 2,442</u>	<u>\$ (54)</u>	<u>\$ 2,388</u>
Short-term investments:			
U.S. Treasury securities	\$ 5,683	\$ —	\$ 5,683
Certificates of deposit	1,551	—	1,551
U.S. government funds	18,054	—	18,054
	<u>\$ 25,288</u>	<u>\$ —</u>	<u>\$ 25,288</u>

Maturities of debt securities classified as available-for-sale were as follows (in thousands):

	December 31, 2016	
	Amortized Cost	Fair Value
Available-for-sale:		
Due under one year	\$ —	\$ —
Due after one year through five years	1,587	1,587
Due after five years through ten years	1,000	992
Due after ten years	—	—
	<u>\$ 2,587</u>	<u>\$ 2,579</u>

The Company had one investment with an unrealized loss of less than \$0.1 million and a fair value of \$1.0 million at December 31, 2016 and an unrealized loss of \$0.1 million and a fair value of \$0.9 million at December 31, 2015. This investment has been in an unrealized loss position for more than 12 months. The Company assessed the bond for credit impairment and determined that there is no intent to sell this bond and it is likely that it will hold the investment for a period of time sufficient to allow for recovery. Furthermore, future payments on this bond are insured by a financial guarantee insurer. Therefore, the Company believes that the unrealized loss on this bond constitutes a temporary impairment.

6. Fair Value

The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis (in thousands):

As of December 31, 2016				
	Fair Value	Level 1	Level 2	Level 3
Assets				
Restricted cash	\$ 600	\$ 600	\$ —	\$ —
Foreign deposits	1,587	1,587	—	—
Municipal bond	992	—	992	—
Money market funds	7,033	7,033	—	—
Total	\$ 10,212	\$ 9,220	\$ 992	\$ —
As of December 31, 2015				
	Fair Value	Level 1	Level 2	Level 3
Assets				
Foreign deposits	\$ 1,442	\$ 1,442	\$ —	\$ —
Municipal bond	946	—	946	—
Money market funds	7,545	7,545	—	—
Total	\$ 9,933	\$ 8,987	\$ 946	\$ —

Long-term investments classified as available-for-sale are measured using quoted market prices when quoted market prices are available. If quoted market prices in active markets for identical assets are not available to determine fair value, then the Company uses quoted prices of similar instruments and other significant inputs derived from observable market data obtained from third-party data providers. Short-term investments are carried at amortized cost and the fair value is disclosed in Note 3. Fair value is determined in the same manner as available-for-sale securities and is considered a Level 1 measurement.

The Company estimates fair value for its long-term debt based upon rates currently available to the Company for debt with similar terms and remaining maturities. This is a Level 3 measurement. Based upon the terms of the debt, the carrying amount of long-term debt approximated fair value at December 31, 2016.

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between levels for the twelve months ended December 31, 2016 and 2015 .

7. Equity Method Investments

During 2015, the Company invested \$0.3 million in a software development company in exchange for 300,000 units of Series A preferred stock resulting in a 13% equity interest. This agreement was amended and restated on September 12, 2016 to increase Series A preferred stock from 300,000 units to 750,000 units resulting in a 20% equity interest. The Company's equity interest is accounted for under the equity method as the Company has the ability to exert significant influence. The equity method investment balance is adjusted each period on a one quarter lag to recognize the proportionate share of net income or loss, including adjustments to recognize certain differences between the carrying value and the equity in net assets.

8. Commitments and Contingencies

During the third quarter of 2015, the Company entered into a lease agreement for a building located in Seattle, Washington. The initial 10 -year term of the lease commenced in the third quarter of 2016.

The Company has operating leases, related to equipment and office facilities, which expire over the next three years with various renewal options. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease. Rental expense for operating leases was \$1.2 million , \$1.0 million and \$0.8 million during 2016 , 2015 and 2014 , respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2016 , are as follows (in thousands):

Year ending December 31:		
2017	\$	1,510
2018		1,860
2019		2,020
2020		2,101
2021		2,182
Thereafter		11,029
Total minimum lease payments	\$	20,702

The Company has entered into agreements for strategic marketing initiatives, as well as with independent contractors to provide services for a period of time. Future commitments related to these contracts are as follows (in thousands):

Year ending December 31:		
2017	\$	3,624
2018		1,681
2019		764
2020		119
2021		17
Thereafter		—
Total minimum commitment	\$	6,205

During 2016, the Company entered into a capital lease agreement. As of December 31, 2016, this agreement resulted in an increase in future commitments of \$0.4 million for 2017 and \$0.2 million in 2018.

From time to time, the Company may be subject to various legal proceedings and claims in the ordinary course of business activities, including claims of alleged infringement of trademarks, copyrights and other intellectual property rights; employment claims; coverage disputes with policyholders; and general contract or other claims. The Company may, from time to time, also be subject to various other legal or government claims, disputes or investigations.

The outcomes of the Company's legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to the Company's operating results and cash flows for a particular period. The Company makes a provision for a liability relating to legal matters when it is both probable that a liability beyond previously accrued amounts has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter.

9. Claims Reserve

The Company provides a reserve for claims incurred but not reported (IBNR). This liability is primarily based on, but not limited to, patterns of claims being paid, patterns of claims being received, seasonality patterns and historical experience. As the Company grows, the IBNR claim liability is expected to increase. Additionally, if expected claims paying completion patterns extend, the IBNR claim liability further increases. The Company reviews estimates for reported but unpaid claims and IBNR claims quarterly. Any necessary adjustments are reflected in earnings.

The Company has two segments: subscription business and other business. The subscription business segment includes monthly subscriptions related to the Company's medical plan which are marketed directly to consumers, while the other business segment includes all other business that is not directly marketed to consumers.

Claims Reserve

Activity in the subscription business claims reserve is summarized as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Claims reserve at beginning of year - subscription business	\$ 5,384	\$ 4,278	\$ 4,573
Claims incurred during the year related to:			
Current year - subscription business	123,823	95,390	74,471
Prior years - subscription business	813	30	(132)
Total claims incurred	124,636	95,420	74,339
Claims paid during year related to:			
Current year - subscription business	115,314	89,768	69,956
Prior years - subscription business	5,832	4,239	4,442
Total claims paid	121,146	94,007	74,398
Non-cash claims expense - subscription business	336	307	236
Claims reserve at end of year - subscription business	\$ 8,538	\$ 5,384	\$ 4,278

The increase in subscription business claims for prior years in the years ended December 31, 2016 and December 31, 2015 is primarily due to more claims incurred than expected relating to prior year claims. The decrease in subscription business claims for prior years in the year ended December 31, 2014 is primarily due to less incurred claims than expected relating to prior year claims.

Activity in the other business claims reserve is summarized as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Claims reserve at beginning of year - other business	\$ 890	\$ 829	\$ 1,039
Claims incurred during the year related to:			
Current year - other business	9,027	7,983	5,967
Prior years - other business	(129)	(79)	(393)
Total claims incurred	8,898	7,904	5,574
Claims paid during year related to:			
Current year - other business	8,048	7,095	5,138
Prior years - other business	757	748	646
Total claims paid	8,805	7,843	5,784
Non-cash claims expense - other business	—	—	—
Claims reserve at end of year - other business	\$ 983	\$ 890	\$ 829

The decrease in other business claims for prior years in the years ended December 31, 2016, December 31, 2015 and December 31, 2014 is primarily due to less claims incurred than expected relating to prior year claims.

Incurred claims and claim adjustment expenses

The Company measures claims frequency using individual claims submissions at the claim event level. A certain claim event may result in multiple reported claims if it involves multiple visits to the veterinarian resulting in multiple invoices. At the end of each reporting period, the cumulative number of claims reported includes all claims submitted (excluding those included in the reserve for incurred but not reported claims), regardless of whether it resulted in an incurred loss. The following table summarizes the activity for incurred claims and claim adjustment expenses for the Company's subscription business segment (in thousands, except for cumulative number of claims data; includes non-cash expenses incurred during the period).

Year Incurred	Years Ended December 31,				As of December 31, 2016	
	Incurred claims and claim adjustment expenses				Total of IBNR plus expected development on reported claims	Cumulative number of reported claims
	2013	2014	2015	2016		
	(unaudited)	(unaudited)	(unaudited)			
2013	\$ 49,595	\$ 49,475	\$ 49,593	\$ 49,629	\$ 8	269,849
2014		\$ 71,008	\$ 70,954	\$ 71,118	\$ 71	377,083
2015			\$ 94,354	\$ 94,908	\$ 286	469,815
2016				\$ 123,478	\$ 8,173	538,427
				\$ 339,133		

The following table summarizes the activity for incurred claims and claim adjustment expenses for the Company's other business segment (in thousands, except for cumulative number of claims data; includes non-cash expenses incurred during the period):

Year Incurred	Years Ended December 31,				As of December 31, 2016	
	Incurred claims and claim adjustment expenses				Total of IBNR plus expected development on reported claims	Cumulative number of reported claims
	2013	2014	2015	2016		
	(unaudited)	(unaudited)	(unaudited)			
2013	\$ 3,294	\$ 2,841	\$ 2,849	\$ 2,849	\$ —	18,169
2014		\$ 5,966	\$ 5,888	\$ 5,887	\$ 1	34,535
2015			\$ 7,973	\$ 7,845	\$ 3	46,713
2016				\$ 9,027	\$ 979	53,723
				\$ 25,608		

Cumulative paid claims and claim adjustment expenses

The following table summarizes the activity for cumulative claims paid and claim adjustment expenses (CAE) for the Company's subscription business segment (in thousands; includes non-cash expenses incurred during the period):

Year Incurred	Years Ended December 31,			
	2013	2014	2015	2016
	(unaudited)	(unaudited)	(unaudited)	
2013	\$ 45,276	\$ 49,475	\$ 49,593	\$ 49,621
2014		\$ 66,845	\$ 70,885	\$ 71,047
2015			\$ 89,012	\$ 94,622
2016				\$ 115,305
			Total	\$ 330,595
Total outstanding liabilities for unpaid claims and CAE				\$ 8,538

The following table summarizes the activity for cumulative claims paid and claim adjustment expenses for the Company's other business segment (in thousands; includes non-cash expenses incurred during the period):

Year Incurred	Years Ended December 31,			
	2013	2014	2015	2016
	(unaudited)	(unaudited)	(unaudited)	
2013	\$ 2,196	\$ 2,841	\$ 2,849	\$ 2,850
2014		\$ 5,137	\$ 5,886	\$ 5,886
2015			\$ 7,085	\$ 7,841
2016				\$ 8,048
			Total	\$ 24,625
Total outstanding liabilities for unpaid claims and CAE				\$ 983

10. Debt

The Company has a revolving line of credit with a bank, which is secured by any and all interest the Company has in assets that are not otherwise restricted. On December 16, 2016, the Company replaced its previous line of credit agreement and entered into a syndicated loan agreement with Pacific Western Bank and Western Alliance Bank increasing its facility from \$20.0 million to \$30.0 million. The revolving line of credit bore a variable interest rate as of December 31, 2016 equal to the greater of 4.5% or 1.25% plus the prime rate, and as of December 31, 2015 equal to the greater of 5.0% or 1.5% plus the prime rate. Interest expense is due monthly on the outstanding principal amount with all amounts outstanding under the revolving line of credit due upon maturity in December 2018, or December 2019 if the revolving line of credit is renewed. The revolving line of credit automatically renews January 2018 unless canceled by the bank. The credit agreement requires the Company to comply with various financial and non-financial covenants. As of December 31, 2016 and December 31, 2015, the Company was in compliance with all covenants. This facility had a requirement that \$0.6 million be held as restricted cash with the bank as of December 31, 2016. This facility also had a compensating balance requirement of \$0.5 million as of December 31, 2016 and December 31, 2015.

Borrowings on the revolving line of credit were limited to the lesser of \$30.0 million in 2016 and \$20.0 million in 2015, and the total amount of cash and securities held by the Company's insurance subsidiaries (APIC and WICL), less up to \$3.0 million, for obligations the Company may have outstanding for other ancillary services in the future. As of December 31, 2016, the Company's outstanding borrowings under this facility were \$5.0 million. During 2015, the Company repaid its borrowings under this facility, and as of December 31, 2015, the Company had no outstanding borrowings under this facility.

The Company entered into a lease agreement during 2015 which required the Company to issue a security deposit in the form of an irrevocable standby letter of credit totaling \$1.1 million which expires in August 2017 and renews annually thereafter. This amount reduces the Company's available revolving line of credit. As of December 31, 2016 and 2015, the Company had \$21.6 million and \$18.4 million, respectively, available under its revolving line of credit.

Interest expense during 2016, 2015 and 2014 related to all loans was \$0.2 million, \$0.3 million and \$6.7 million, respectively.

11. Stock-Based Compensation

In June 2014, the Company's Board of Directors adopted the 2014 Equity Incentive Plan (2014 Plan), which succeeded the 2007 Equity Compensation Plan upon the Company's IPO. The 2014 Plan authorizes the award of stock options or restricted stock to directors, officers, employees, and non-employees. All awards have 10-year contractual terms. At December 31, 2016, there were 3,901,594 additional shares available for the Company to grant under the 2014 Plan.

Stock Options

The grant date fair value of stock option awards are estimated on the date of grant using the Black-Scholes-Merton option-pricing model. Valuation assumptions for the years ended December 31, 2016, 2015 and 2014 are presented in the following table:

	Years Ended December 31,		
	2016	2015	2014
Valuation assumptions:			
Expected term (in years)	5.04-6.25	3.0-6.25	6.25
Expected volatility	37.6%-42.1%	37.2%-49.4%	54.3%-59.3%
Risk-free interest rate	1.1%-2.0%	1.1%-2.0%	1.8%-2.0%
Expected dividend yield	—%	—%	—%

Expected term: The expected term represents the period that the Company's stock-based awards are expected to be outstanding. As the Company does not have sufficient historical experience for determining the expected term of stock-based awards granted, the expected term for awards issued to employees is based on the simplified method, which represents the average period from vesting to the expiration of the stock option.

Expected volatility: As the Company does not have significant trading history for common stock, the expected stock price volatility for common stock is estimated by taking the average historical price volatility for identified peers based on daily price observations over a period equivalent to the expected term of the stock option grants. The Company does not rely on implied volatilities of traded options in identified peers' common stock because the volume of activity is relatively low. The Company intends to continue to consistently apply this process using these or similar public companies until a sufficient amount of historical information regarding the volatility of the Company's common stock price becomes available.

Risk-free interest rate: The risk-free interest rate for the expected term of the stock option is based on the U.S. Treasury yield curve at the date of grant.

Expected dividend yield: The Company does not expect to pay any dividends in the foreseeable future.

Stock option activity for the years ended December 31, 2016 , 2015 and 2014 was as follows:

	Number of Options	Weighted- Average Exercise Price	Aggregate Intrinsic Value (in thousands)
December 31, 2013	4,663,445	2.12	30,406
Granted	754,200	9.64	—
Exercised	(176,595)	1.20	1,428
Forfeited	(128,494)	5.40	—
December 31, 2014	5,112,556	3.19	21,116
Granted	698,764	7.84	—
Exercised	(632,829)	2.12	3,703
Forfeited	(306,542)	7.65	—
December 31, 2015	4,871,949	3.71	29,644
Granted	666,664	13.37	—
Exercised	(1,119,367)	3.35	11,980
Forfeited	(296,223)	8.14	—
December 31, 2016	4,123,023	5.06	43,185
Vested and exercisable at December 31, 2016	3,119,438	\$ 3.06	\$ 38,856

As of December 31, 2016 , stock options outstanding had a weighted average remaining contractual life of 5.7 years and vested and exercisable options had a weighted average remaining contractual life of 4.6 years .

The weighted-average grant date fair value of stock options granted and the fair value of options vested were as follows for the years ending December 31, 2016 , 2015 , and 2014 :

	Weighted- Average Grant Date Fair Value (per share)	Fair Value of Options Vested (in thousands)
Year:		
2014	\$ 5.33	\$ 2,203
2015	\$ 3.46	\$ 3,796
2016	\$ 5.64	\$ 6,688

Restricted Stock Awards and Restricted Stock Units

The below table summarizes the Company's restricted stock award activity for the years ending December 31, 2016, 2015 and 2014 :

	Number of Shares	Weighted- Average Grant Date Fair Value Per Restricted Stock
Nonvested stock award balance at December 31, 2013	722,226	\$ 4.77
Restricted stock awards granted	6,126	5.79
Awards upon which restrictions lapsed	(143,967)	4.81
Restricted stock awards forfeited	—	—
Nonvested stock award balance at December 31, 2014	584,385	4.77
Restricted stock awards granted	2,385	7.26
Awards upon which restrictions lapsed	(119,262)	4.80
Restricted stock awards forfeited	—	—
Nonvested stock award balance at December 31, 2015	467,508	4.77
Restricted stock awards granted	—	—
Awards upon which restrictions lapsed	(116,877)	4.77
Restricted stock awards forfeited	—	—
Nonvested stock award balance at December 31, 2016	350,631	4.77

During the third quarters of 2016, 2015 and 2014, 116,877 shares of restricted stock, which were subject to a performance condition relating to the Company's IPO, vested and resulted in \$0.5 million, \$0.9 million and \$1.6 million of expense, respectively, included in general and administrative expense in the consolidated statement of operations. The fair value of these vested shares was approximately \$1.8 million, \$0.9 million and \$1.2 million, respectively. The remaining 350,631 shares of unvested restricted stock related to this agreement are expected to vest over the remaining service term of approximately 3.0 years.

Stock-based compensation expense includes stock options, restricted stock units and restricted stock awards granted to employees and non-employees, and is reported in the Company's consolidated statement of operations in claims expenses, other cost of revenue, sales and marketing, technology and development, and general and administrative expenses depending on the function performed by the employee or non-employee. Stock-based compensation expense recognized in each category of the consolidated statement of operations for the years ended December 31, 2016, 2015 and 2014 was as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Claims expenses	\$ 234	\$ 219	\$ 236
Other cost of revenue	41	44	79
Sales and marketing	532	446	553
Technology and development	246	404	461
General and administrative	1,893	1,889	2,755
Total stock-based compensation	\$ 2,946	\$ 3,002	\$ 4,084

As of December 31, 2016, the Company had unrecognized stock-based compensation expense of \$5.2 million, which is expected to vest over a weighted-average period of approximately 2.7 years. As of December 31, 2016, the Company had 953,406 unvested stock options and 352,996 restricted stock awards and units that are expected to vest. No net tax benefits related to the stock-based compensation costs have been recognized since the Company's inception.

12. Stockholders' Equity

On July 23, 2014 the Company completed an IPO pursuant to which 8,193,750 shares of common stock were sold to the public at a price of \$10.00 per share. The Company received net proceeds of approximately \$72.8 million from the IPO. Upon the

closing of the IPO, all shares of outstanding convertible preferred stock and exchangeable shares automatically converted into 14,944,945 and 2,247,130 shares of common stock, respectively. If this transaction had taken place on January 1, 2014, the Company's weighted-average shares outstanding for the twelve months ended December 31, 2014 would have been 27,067,167 .

As of December 31, 2016 , the Company had 100,000,000 shares of common stock authorized and 29,498,947 shares of common stock outstanding. Holders of common stock are entitled to one vote on each matter properly submitted to the stockholders of the Company except those related to matters concerning possible outstanding preferred stock. At December 31, 2016 , the Company had 10,000,000 shares of undesignated shares of preferred stock authorized for future issuance and did not have any outstanding shares of preferred stock. The holders of common stock are also entitled to receive dividends as and when declared by the board of directors of the Company, whenever funds are legally available. These rights are subordinate to the dividend rights of holders of all classes of stock outstanding at the time. The Company is unable to pay dividends to stockholders as of December 31, 2016 due to restrictions in its credit agreements.

Warrants

At December 31, 2016 and 2015 , the Company had warrants to purchase 810,000 shares and 869,999 shares of common stock, respectively, at \$10.00 per share, which begin to expire in 2018. At the end of each reporting period prior to the July 23, 2014, warrants were subject to contractual modification provisions and the Company adjusted the fair value of the warrants. For periods subsequent to July 23, 2014, these warrants were no longer subject to contractual modification provisions and were reclassified from a liability classification to an equity classification on the consolidated balance sheet.

13. Segments

The Company has two segments: subscription business and other business. The subscription business segment includes monthly subscriptions related to the Company's medical plan which are marketed directly to consumers, while the other business segment includes all other business that is not directly marketed to consumers.

The chief operating decision maker uses two measures to evaluate segment performance: revenue and gross profit. Additionally, other operating expenses, such as sales and marketing expenses, are allocated to each segment and evaluated when material. Interest and other expenses and income taxes are not allocated to the segments, nor included in the measure of segment profit or loss. The Company does not analyze discrete segment balance sheet information related to long-term assets.

Revenue and gross profit of the Company's segments were as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Revenue:			
Subscription business	\$ 173,356	\$ 133,406	\$ 103,502
Other business	14,874	13,557	12,408
	<u>188,230</u>	<u>146,963</u>	<u>115,910</u>
Claims expenses:			
Subscription business	124,636	95,420	74,206
Other business	8,898	7,904	5,707
	<u>133,534</u>	<u>103,324</u>	<u>79,913</u>
Other cost of revenue:			
Subscription business	16,685	14,008	10,963
Other business	4,723	4,402	5,160
	<u>21,408</u>	<u>18,410</u>	<u>16,123</u>
Gross profit:			
Subscription business	32,035	23,978	18,333
Other business	1,253	1,251	1,541
	<u>33,288</u>	<u>25,229</u>	<u>19,874</u>
Sales and marketing:			
Subscription business	15,029	15,151	11,484
Other business	218	80	124
	<u>15,247</u>	<u>15,231</u>	<u>11,608</u>
Technology and development	9,534	11,215	9,899
General and administrative	15,205	15,558	14,312
Operating loss	<u>\$ (6,698)</u>	<u>\$ (16,775)</u>	<u>\$ (15,945)</u>

The following table presents the Company's revenue by geographic region of the member (in thousands):

	Years Ended December 31,		
	2016	2015	2014
United States	\$ 151,361	\$ 116,585	\$ 86,494
Canada	36,869	30,378	29,416
Total revenue	<u>\$ 188,230</u>	<u>\$ 146,963</u>	<u>\$ 115,910</u>

Substantially all of the Company's long-lived assets were located in the United States as of December 31, 2016 and 2015.

14. Dividend Restrictions and Statutory Surplus

The Company's business operations are conducted through subsidiaries, one of which is an insurance company domiciled in New York, and one which is a segregated cell business, Wyndham Segregated Account AX, located in Bermuda. In addition to general state law restrictions on payments of dividends and other distributions to stockholders applicable to all corporations, insurance companies are subject to further regulations that, among other things, may require such companies to maintain certain levels of equity and restrict the amount of dividends and other distributions that may be paid to their parent corporations.

Under regulatory requirements at December 31, 2016, the amount of dividends that may be paid by the Company's insurance subsidiary in New York to the Company without prior approval by regulatory authorities was \$0.1 million. During 2016, 2015 and 2014, the Company's insurance subsidiaries did not pay any dividends to the Company. Subsequent to December 31, 2016, the Company received a dividend of \$2.7 million from Wyndham Insurance Company (SAC) Limited (WICL) Segregated Account AX as allowed under the Company's agreements with WICL.

The statutory net income for 2016, 2015 and 2014 and statutory capital and surplus at December 31, 2016, 2015 and 2014, for the Company's insurance subsidiary were as follows (in thousands):

	As of December 31,		
	2016	2015	2014
Statutory net income	\$ 4,081	\$ 1,386	\$ 990
Statutory capital and surplus	30,451	26,068	23,661

As of December 31, 2016, the Company's insurance subsidiary (American Pet Insurance Company) maintained \$30.5 million of statutory capital and surplus which was above the required amount of \$25.8 million of statutory capital and surplus to avoid additional regulatory oversight. As of December 31, 2016 and 2015, the Company had \$6.5 million on deposit with various states in which it writes policies.

15. Related Parties

The Company is party to arrangements with the father of the Company's Chief Executive Officer, who serves as an independent contractor to develop veterinary relationships and build referrals. The terms of the independent contractor agreement are consistent with the terms of other similar independent contractors that do business with the Company. Total amounts paid to the related party were less than \$0.1 million, \$0.3 million and \$0.3 million in 2016, 2015 and 2014, respectively.

16. Income Taxes

Loss before income taxes was as follows for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Years Ended December 31,		
	2016	2015	2014
United States	\$ (6,906)	\$ (17,222)	\$ (21,371)
Foreign	48	131	187
	<u>\$ (6,858)</u>	<u>\$ (17,091)</u>	<u>\$ (21,184)</u>

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

	Years Ended December 31,		
	2016	2015	2014
Current:			
U.S. federal & state	\$ 25	\$ 31	\$ 26
Foreign	13	84	(30)
	38	115	(4)
Deferred:			
U.S. federal & state	—	—	—
Foreign	—	(1)	(3)
	—	(1)	(3)
Income tax expense (benefit)	\$ 38	\$ 114	\$ (7)

A reconciliation of income tax expense at the statutory federal income tax rate and income taxes as reflected in the financial statements is presented below:

	Years Ended December 31,		
	2016	2015	2014
Federal income taxes at statutory rate	34.0 %	34.0 %	34.0 %
Equity compensation	7.7	(1.2)	(0.9)
Change in valuation allowance	(41.1)	(34.9)	(32.5)
Other, net	(1.2)	1.4	(0.5)
Effective income tax rate	(0.6)%	(0.7)%	0.1 %

The principal components of the Company's deferred tax assets and liabilities were as follows (in thousands):

	Years Ended December 31,	
	2016	2015
Deferred tax assets:		
Current:		
Unearned premium reserves	\$ 918	\$ 745
Loss reserves	27	167
Other	782	690
Noncurrent:		
Net operating loss carryforwards	22,632	20,514
Depreciation and amortization	535	451
Equity compensation	1,137	713
Other	156	96
Total deferred tax assets	26,187	23,376
Deferred tax liabilities:		
Current:		
Deferred costs	(226)	(189)
Noncurrent:		
Intangible assets	(1,623)	(1,623)
Other	(77)	(72)
Total deferred tax liabilities	(1,926)	(1,884)
Total deferred taxes	24,261	21,492
Less deferred tax asset valuation allowance	(25,879)	(23,110)
Net deferred taxes	\$ (1,618)	\$ (1,618)

At December 31, 2016, the Company had federal net operating loss carryforwards of \$79.0 million. Use of the carryforwards is limited based on the future income of the Company. The federal net operating loss carryforwards will begin to expire in 2027. Approximately \$12.7 million of the net operating loss (NOL) carryforwards relate to tax deductible stock-based compensation in excess of amounts recognized for financial statement purposes. Pursuant to Sections 382 and 383 of the Internal Revenue Code, annual use of the Company's net operating loss carryforwards and credit carryforwards may be limited if the Company experiences an ownership change. As of December 31, 2016, the utilization of approximately \$0.5 million of net operating losses are subject to limitation as a result of prior ownership changes; however, subsequent ownership changes may further affect the limitation in future years.

A valuation allowance is required to reduce the deferred tax assets reported if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, the Company has recorded a full valuation allowance against its deferred tax assets at December 31, 2016 and 2015, because the Company's management has determined that it is more likely than not that these assets will not be fully realized.

The Company is open to examination by the U.S. federal tax jurisdiction for the years ended December 31, 2013 through 2016. The Company is also open to examination for 2007 and forward with respect to net operating loss carryforwards generated and carried forward from those years in the United States. The Company is open to examination by the Canada Revenue Agency for the years ended December 31, 2012 through 2016 for all corporate tax matters, and open for the years ended December 31, 2009 through 2016 for transactions with non-arm's length non-Canadian residents.

The Company accounts for uncertain tax positions based on a two-step process of evaluating recognition and measurement criteria. The first step assesses whether the tax position is more likely than not to be sustained upon examination by the taxing authority, including resolution of any appeals or litigation, on the basis of the technical merits of the position. If the tax position meets the more-likely-than-not criteria, the portion of the tax benefit greater than 50% likely to be realized upon settlement with the relevant tax authority is recognized in the financial statements. Net unrecognized tax benefits, interest, and penalties not expected to be settled within one year are included in other long-term liabilities on the consolidated balance sheets. No significant changes in uncertain tax positions are expected in the next twelve months.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Balance, beginning of year	\$ 80	\$ 65	\$ 390
Decreases to tax positions related to prior periods	—	—	(346)
Increases to tax positions related to the current year	40	15	21
Balance, end of year	\$ 120	\$ 80	\$ 65

17. Employee Benefits

The Company has a 401(k) plan for its U.S. employees. The plan allows employees to contribute a percentage of their pretax earnings annually, subject to limitations imposed by the Internal Revenue Service. The plan also allows the Company to make a matching contribution, subject to certain limitations. To date, the Company has made no contributions to the 401(k) plan.

18. Quarterly Financial Information (Unaudited)

The following table contains selected unaudited financial data for each quarter of 2016 and 2015. The unaudited information should be read in conjunction with the Company's financial statements and related notes included elsewhere in this report. The Company believes that the following unaudited information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

Three Months Ended								
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
(in thousands, except share amounts)								
Total revenues	\$ 51,340	\$ 48,359	\$ 45,832	\$ 42,699	\$ 40,201	\$ 37,865	\$ 35,587	\$ 33,310
Gross profit	9,218	8,500	8,266	7,304	7,270	6,591	5,786	5,582
Net loss	(1,723)	(1,637)	(964)	(2,572)	(3,001)	(4,643)	(4,625)	(4,936)
Net loss per share attributable to common stockholders:								
Basic and diluted	(0.06)	(0.06)	(0.03)	(0.09)	(0.11)	(0.17)	(0.17)	(0.18)
Weighted average shares used to compute net loss per share attributable to common stockholders:								
Basic and diluted	29,020,559	28,732,417	28,348,348	27,999,248	27,856,450	27,755,310	27,597,721	27,337,302

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined under Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Management has assessed the effectiveness of its internal control over financial reporting as of December 31, 2016 based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). As a result of this assessment, management concluded that, as of December 31, 2016, its internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item is incorporated herein by reference to our Proxy Statement with respect to our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report.

Item 11. Executive Compensation

Information required by this Item is incorporated herein by reference to our Proxy Statement with respect to our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this Item is incorporated herein by reference to our Proxy Statement with respect to our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report.

Item 13. Certain Relationships and Related Transactions and Director Independence

Information required by this Item is incorporated herein by reference to our Proxy Statement with respect to our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report.

Item 14. Principal Accountant Fees and Services

Information required by this Item is incorporated herein by reference to our Proxy Statement with respect to our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

We have filed the financial statements listed in the Index to Financial Statements as a part of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

Schedule I Condensed Financial Information of Registrant

No other financial statement schedules have been provided because the information called for is not required or is shown either in the financial statements or notes thereto.

(a)(3) Exhibits

The list of exhibits included in the Exhibit Index to this Annual Report on Form 10-K is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Seattle, state of Washington, on this 15th day of February, 2017.

TRUPANION, INC.

By: /s/ Darryl Rawlings

Darryl Rawlings

Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Darryl Rawlings, Tricia Plouf and Asher Bearman, and each of them, as his or her true and lawful attorneys-in-fact, proxies and agents, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 15, 2017

/s/ Darryl Rawlings

Darryl Rawlings
Chief Executive Officer and President
(Principal Executive Officer)

Date: February 15, 2017

/s/ Tricia Plouf

Tricia Plouf
Chief Financial Officer *(Principal Financial and Accounting Officer)*

Date: February 15, 2017

/s/ Murray Low

Murray Low
Chairman of the Board of Directors

Date: February 15, 2017

/s/ Chad Cohen

Chad Cohen
Director

Date: February 15, 2017

/s/ Michael Doak

Michael Doak
Director

Date: February 15, 2017

/s/ Robin Ferracone

Robin Ferracone
Director

Date: February 15, 2017

/s/ Dan Levitan

Dan Levitan
Director

Date: February 15, 2017

/s/ H. Hays Lindsley

H. Hays Lindsley
Director

Date: February 15, 2017

/s/ Glenn Novotny

Glenn Novotny
Director

Date: February 15, 2017

/s/ Howard Rubin

Howard Rubin
Director

EXHIBIT INDEX

The following exhibits are filed as part of this Annual Report on Form 10-K or are incorporated herein by reference. Where an exhibit is incorporated by reference, the number in parentheses indicates the document to which cross-reference is made. See the end of this exhibit index for a listing of cross-reference documents.

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Filed/Furnished Herewith
			File No.	Exhibit	Exhibit Filing Date	
3.1	Restated Certificate of Incorporation of the Registrant.	10-Q	001-36537	3.1	8/28/2014	
3.2	Certificate of Amendment to the Restated Certificated of Incorporation of Trupanion Inc.	8-K	001-36537	3.1	6/3/2016	
3.3	Restated Bylaws of the Registrant.	10-Q	001-36537	3.2	8/28/2014	
4.1	Form of Common Stock Certificate.	S-1	333-196814	4.1	6/16/2014	
4.2	Third Amended and Restated Registration Rights Agreement, dated October 25, 2011, by and among the Registrant and certain of its stockholders, as amended.	S-1	333-196814	4.4	6/16/2014	
10.1+	Form of Indemnity Agreement.	S-1	333-196814	10.1	6/16/2014	
10.2+	2007 Equity Compensation Plan and forms of stock option agreements and exercise notices, restricted stock notice agreement and restricted stock agreement thereunder.	S-1	333-196814	10.2	6/16/2014	
10.3+	2014 Equity Incentive Plan and forms of stock option award agreement, restricted stock agreement and restricted stock unit award agreement thereunder.	S-1	333-196814	10.3	6/16/2014	
10.4+	2014 Employee Stock Purchase Plan.	S-1	333-196814	10.4	6/16/2014	
10.5+	Amended and Restated Employment Agreement, dated April 20, 2007, by and between the Registrant and Darryl Rawlings.	S-1	333-196814	10.6	6/16/2014	
10.6+	Employment Agreement, dated June 13, 2012, by and between the Registrant and Michael Banks.	S-1	333-196814	10.7	6/16/2014	
10.7+	Consulting Agreement, dated May 5, 2014, by and between the Registrant and Howard Rubin.	S-1	333-196814	10.8	6/16/2014	
10.8+	Agency Agreement between Omega General Insurance Company and Trupanion Brokers Ontario, Inc., effective January 1, 2015.	10-K	001-36537	10.13	2/24/2015	
10.9+	Fronting and Administration Agreement between Wyndham Insurance Company (SAC) Limited and Omega General Insurance Company, effective January 1, 2015.	10-K	001-36537	10.14	2/24/2015	
10.10†	Quota Share Reinsurance Agreement between Wyndham Insurance Company (SAC) Limited and Omega General Insurance Company, effective January 1, 2015.	10-K	001-36537	10.15	2/24/2015	
10.11+	First Amendment to Consulting Agreement, dated January 1, 2016, by and between the Registrant and Howard Rubin.	10-Q	001-36537	10.2	5/5/2016	
10.12+	Amendment to Lease Agreement, dated December 7, 2015, by and between American Pet Insurance Company and Selig Real Estate Holdings XXXIV, LLC, as amended.	10-K	001-36537	10.16	2/16/2016	

10.13+	Second Amendment to Consulting Agreement, dated January 1, 2017 by and between the Registrant and Howard Rubin.	X
10.14+	Employment Agreement, dated January 13, 2017, by and between the Registrant and Tim Graff.	X
10.15+	Senior Credit Facility Loan and Security Agreement, entered into as of December 16, 2016 between Pacific Western Bank, Western Alliance Bank and Trupanion, Inc.	X
10.16+	Quota Share Reinsurance Agreement between Wyndham Insurance Company (SAC) Limited and Omega General Insurance Company, effective January 1, 2016.	X
10.17+	Quota Share Reinsurance Agreement between Wyndham Insurance Company (SAC) Limited and Omega General Insurance Company, effective January 1, 2017.	X
21.1	Subsidiaries of the Registrant.	X
23.1	Consent of independent registered public accounting firm.	X
24.1	Power of Attorney (reference is made to the signature page hereto)	X
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2*	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instance Document.	X
101.SCH	XBRL Taxonomy Extension Schema Document.	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	X

- + Indicates a management contract or compensatory plan or arrangement.
- † Registrant has omitted portions of the referenced exhibit pursuant to a request for confidential treatment under Rule 24b-2 promulgated under the Exchange Act. The omitted portions of this exhibit have been filed separately with the SEC.
- * This certification is deemed not filed for purpose of section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Schedule I - Condensed Financial Information of Registrant

Trupanion, Inc.
Condensed Statements of Comprehensive Loss
(Parent Company Only)
(In thousands)

	Years Ended December 31,		
	2016	2015	2014
Expenses:			
Claims expenses	\$ 269	\$ 226	\$ 240
Other costs of revenue	41	44	79
Sales and marketing	871	621	553
Technology and development	531	628	528
General and administrative	3,627	3,852	4,108
Total expenses	<u>5,339</u>	<u>5,371</u>	<u>5,508</u>
Operating loss	(5,339)	(5,371)	(5,508)
Interest expense	218	325	6,725
Other expense (income)	<u>23</u>	<u>(2)</u>	<u>(1,575)</u>
Loss before equity in undistributed earnings of subsidiaries	(5,580)	(5,694)	(10,658)
Equity in undistributed earnings of subsidiaries	<u>(1,316)</u>	<u>(11,511)</u>	<u>(10,519)</u>
Net loss	<u>\$ (6,896)</u>	<u>\$ (17,205)</u>	<u>\$ (21,177)</u>
Other comprehensive (loss) income, net of taxes:			
Other comprehensive (loss) income of subsidiaries	<u>125</u>	<u>(513)</u>	<u>175</u>
Other comprehensive (loss) income	<u>125</u>	<u>(513)</u>	<u>175</u>
Comprehensive loss	<u>\$ (6,771)</u>	<u>\$ (17,718)</u>	<u>\$ (21,002)</u>

Trupanion, Inc.
Condensed Balance Sheets
(Parent Company Only)
(In thousands, except for share and per share data)

As of December 31,

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,401	\$ 6,040
Accounts and other receivable	1,492	517
Prepaid expenses and other assets	106	364
Total current assets	4,999	6,921
Restricted cash	600	—
Equity method investment	271	300
Property and equipment, net	1,070	641
Intangible assets, net	4,773	4,784
Advances to and investments in subsidiaries	40,086	34,488
Total assets	\$ 51,799	\$ 47,134
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 19	\$ 11
Accrued liabilities	145	144
Deferred tax liabilities	250	169
Other liabilities	328	—
Total current liabilities	742	324
Long-term debt	4,767	—
Deferred tax liabilities	1,372	1,454
Other liabilities	203	—
Total liabilities	7,084	1,778
Stockholders' equity:		
Common stock, \$0.00001 par value per share, 100,000,000 shares authorized at December 31, 2016 and 200,000,000 shares authorized at December 31, 2015, 30,156,247 and 29,498,947 shares issued and outstanding at December 31, 2016; 29,017,168 and 28,396,189 shares issued and outstanding at December 31, 2015.	—	—
Preferred stock: \$0.00001 par value per share, 10,000,000 shares authorized at December 31, 2016 and December 31, 2015, and 0 shares issued and outstanding at December 31, 2016 and December 31, 2015.	—	—
Additional paid-in capital	129,574	122,844
Accumulated other comprehensive (loss) income	(377)	(502)
Accumulated deficit	(81,281)	(74,385)
Treasury stock, at cost: 657,300 shares at December 31, 2016, and 620,979 shares at December 31, 2015.	(3,201)	(2,601)
Total stockholders' equity	44,715	45,356
Total liabilities and stockholders' equity	\$ 51,799	\$ 47,134

Trupanion, Inc.
Condensed Statements of Cash Flows
(Parent Company Only)
(In thousands)

	Years Ended December 31,		
	2016	2015	2014
Operating activities			
Net loss	\$ (6,896)	\$ (17,205)	(21,177)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:			
Loss attributable to equity method investments	1,316	11,511	10,519
Depreciation and amortization	251	126	67
Amortization of debt discount and prepaid loan fees	58	21	5,033
Warrant expense	—	—	(1,574)
Stock-based compensation expense	2,946	3,002	4,084
Changes in operating assets and liabilities	1,742	(1,383)	465
Net cash (used in) provided by operating activities	(583)	(3,928)	(2,583)
Investing activities			
Purchases of property and equipment	1	(149)	(243)
Equity method investment	—	(300)	—
Advances to and investments in subsidiaries	(9,333)	(19,900)	(22,209)
Net cash used in investing activities	(9,332)	(20,349)	(22,452)
Financing activities			
Tax withholding on restricted stock	(662)	(643)	—
Proceeds from exercise of stock options	3,745	1,335	211
Proceeds from (repayment of) debt financing	4,988	(14,900)	(15,000)
Other financing costs	(195)	—	(103)
Net Proceeds from IPO	—	—	72,755
Net cash (used in) provided by financing activities	7,876	(14,208)	57,863
Effect of foreign exchange rates on cash, net	—	(517)	175
Net (decrease) increase in cash, cash equivalents, and restricted cash	(2,039)	(39,002)	33,003
Cash, cash equivalents, and restricted cash at beginning of year	6,040	45,042	12,039
Cash, cash equivalents, and restricted cash at end of year	\$ 4,001	\$ 6,040	45,042
Supplemental disclosures			
Interest paid	(153)	(155)	(1,494)
Noncash investing and financing activities:			
Warrants issued in conjunction with debt issuance	—	—	1,124
Cashless exercise of preferred stock warrants	—	—	1,270
Cashless exercise of common stock warrants	600	—	—
Common stock warrant reclassification to equity	—	—	3,180

1. Organization and Presentation

The accompanying condensed financial statements present the financial position, results of operations and cash flows for Trupanion, Inc. These condensed unconsolidated financial statements should be read in conjunction with the consolidated financial statements of Trupanion, Inc. and its subsidiaries and the notes thereto (the Consolidated Financial Statements). Investments in subsidiaries are accounted for using the equity method of accounting. Certain prior year amounts have been reclassified within the accompanying condensed financial statements from their original presentation to conform to the current period presentation.

Additional information about Trupanion, Inc.'s accounting policies pertaining to intangible assets, commitments and contingencies, debt financing, stock-based compensation, and stockholders' equity are set forth in Notes 4, 8, 10, 11 and 12, respectively, to the Consolidated Financial Statements.

**SECOND AMENDMENT
TO
CONSULTING AGREEMENT**

This Second Amendment to Consulting Agreement (as amended from time to time, this “*Amendment*”) is effective as of January 1, 2017 (the “*Effective Date*”), by and among Trupanion Managers USA, Inc., an Arizona corporation (the “**Company**”) and Howard Rubin, an independent contractor of the Company (“*You*” or “*Rubin*”, and together with the Company, the “*Parties*”). Capitalized terms used but not defined in this Amendment have the meanings given to them in the Original Agreement.

RECITALS

WHEREAS, the Parties have entered into a Consulting Agreement, dated May 5, 2014, as amended by the First Amendment to Consulting Agreement, (the “*Existing Agreement*”); and

WHEREAS, the Parties desire to, inter alia, amend the compensation payable by Company to Rubin under the Existing Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, and upon the terms and conditions set forth below, the Parties agree as follows:

1. *Amendments to Existing Agreement* . As of the Effective Date, the Existing Agreement is hereby amended or modified as follows:

- a. Section 2 of the Existing Agreement is hereby amended in its entirety to read as follows:

“The Term of this Agreement shall commence on the date set forth above and will continue for an initial term through December 31, 2018, unless earlier terminated in accordance with paragraph 9.10 (the “*Term*”). Any extension of the term will be subject to mutual written agreement between the parties.”

- b. Schedule 1, Section 1 of the Existing Agreement is hereby amended by inserting at the end of such Section the following new Section 1(c):

“Beginning January 1, 2017 and ending December 31, 2018, you will be compensated an annual amount of \$75,000/year for Projects. You will provide no fewer than 20 Project Days per year, as You and the Company reasonably and mutually determine appropriate.

The Fees payable will be as follows:

<u>2017</u>	<u>Amount</u>	<u>2018</u>	<u>Amount</u>
January-17	\$ 6,250	January-18	\$ 6,250
February-17	\$ 6,250	February-18	\$ 6,250
March-17	\$ 6,250	March-18	\$ 6,250
April-17	\$ 6,250	April-18	\$ 6,250
May-17	\$ 6,250	May-18	\$ 6,250
June-17	\$ 6,250	June-18	\$ 6,250
July-17	\$ 6,250	July-18	\$ 6,250
August-17	\$ 6,250	August-18	\$ 6,250
September-17	\$ 6,250	September-18	\$ 6,250
October-17	\$ 6,250	October-18	\$ 6,250
November-17	\$ 6,250	November-18	\$ 6,250
December-17	\$ 6,250	December-18	\$ 6,250
<u>Total</u>	<u>\$ 75,000</u>	<u>Total</u>	<u>\$ 75,000</u>

2. *Severability* . Any term or provision of this Amendment that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of the Existing Agreement, as modified by this Amendment, or affecting the validity or enforceability of any of the terms or provisions of the Existing Agreement, as modified by this Amendment, in any other jurisdiction. If any provision of the Existing Agreement, as modified by this Amendment, is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.
3. *Amendment* . The terms and conditions of this Amendment may be amended or waived only in writing executed by duly authorized representatives of the Parties.
4. *Counterparts* . This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

[signature page follows]

IN WITNESS WHEREOF, the Parties hereto by their respective duly authorized representatives have executed this Amendment to be effective as of the Effective Date.

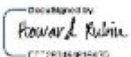
**TRUPANION MANAGERS USA, INC., an
Arizona corporation**

By:  _____
DocuSign by
131527663954310

Name: Darryl Rawlings

Title: CEO

HOWARD RUBIN

By:  _____
DocuSign by
177798048954310

Name: Howard Rubin

[C OUNTERPART S IGNATURE P AGE TO S ECOND A MENDMENT TO C ONSULTING A GREEMENT]

EMPLOYMENT AGREEMENT

This Employment Agreement (the “*Agreement*”) is effective as of January 13, 2017 (the “*Effective Date*”) between Trupanion, Inc. and its wholly owned subsidiary American Pet Insurance Company (“*APIC*”) (collectively with their affiliated entities the “*Company*”) and Timothy Graff (“*Executive*”) (Executive and the Company are referred to herein as a “*Party*” or the “*Parties*”).

RECITALS

WHEREAS, the Company desires to employ Executive as President of APIC.

WHEREAS, the Company and Executive desire to set forth the terms and conditions of their agreement and understandings with respect to the employment of Executive.

NOW THEREFORE, in consideration of the above recitals and the mutual promises and benefits contained herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. EMPLOYMENT.

- a. Position and Duties of Executive. Executive shall continue to serve as the President of APIC, and will faithfully and prudently perform such duties and responsibilities that the Chief Executive Officer of Trupanion, Inc. (“*CEO*”) from time to time may determine appropriate. It is the Parties’ intent that Executive will focus primarily on developing new revenue partnerships for the Company.
- b. Performance. During Executive’s employment with the Company, Executive shall devote his professional time, energy, knowledge, skill and reasonable best efforts to the business of the Company.

2. AT-WILL EMPLOYMENT.

Executive’s employment with the Company is at-will and not for any specified period, and may be terminated at any time, with or without Cause (as defined in Section 7.e.), by either Executive or the Company, subject to the provisions regarding termination set forth below in Section 7.f. No representative of the Company, other than the CEO, has the authority to alter the at-will employment relationship. Any change to the at-will employment relationship must be by specific, written agreement signed by Executive and the Company’s CEO. Nothing in this Agreement is intended to or should be construed to contradict, modify, or alter this at-will relationship.

3. COMPENSATION.

- a. Variable Salary. On or before the 15th of each month, the Company or an affiliate shall pay Executive in accordance with the schedule set out on Exhibit A. At the
-

request of Executive, the Company will use its best efforts to make these payments in whole or in part in restricted stock or stock options instead of in cash.

- b. Bonus. The Company shall pay to Executive an annual cash bonus in or about February 2017, subject to the approval of the Board of Directors of Trupanion, Inc., or the compensation committee thereof, as applicable, based on the achievement of (a) corporate performance goals and (b) individual performance objectives as follows: 50% of the bonus is based on the Company's achievement of objectives and 50% is based on Executive's individual achievement of quarterly objectives with respect to 2016, as previously defined by CEO. The target amount of this bonus at 100% achievement for both categories will be \$96,000. The above-described bonus will be paid only if Executive is an active employee at the time the annual bonus is paid in 2017. Unless agreed otherwise in writing, other than the bonus to be paid in February 2017, the Company will not pay Executive any future annual bonus.
- c. Stock Options. All stock options previously granted to Executive will continue to vest according to the terms of the Company's stock option plan and the terms of the prior grants to Executive. Unless otherwise agreed in writing, going forward the Company will not grant Executive any additional stock options.
- d. Vacations. From the Effective Date forward, Executive shall be entitled to accrue up to four weeks of vacation annually. Such vacations shall be taken at times consistent with the effective discharge of Executive's duties and the reasonable business needs of the Company. Unless specifically stated to the contrary in writing by the Company, unused vacations in any year shall be treated consistently with the policies, rules and regulations adopted by the Company applicable to senior executives of the Company.
- e. Other Benefits. During Executive's employment with the Company, Executive is entitled to participate in any group health insurance plan, 401(k) plan, group life plan, and any other benefit program or policy that is made available, from time to time, to executives of the Company, subject to the terms of the plan documents, as such plans may be modified, amended, terminated, or replaced from time to time.
- f. Reimbursement of Expenses. Executive will be reimbursed for all reasonable, out-of-pocket business expenses incurred in the performance of Executive's duties on behalf of the Company. To obtain reimbursement, expenses must be submitted as soon as practicable with appropriate supporting documentation and will be reimbursed in accordance with the Company's policies.

4. CONFIDENTIAL INFORMATION.

- a. Continuing on an ongoing basis during Executive's employment, the Company shall continue to give Executive Confidential Information. Such Confidential Information excludes information that is either in the public domain or was known to Executive prior to the commencement of any employment by the
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Company of Executive. For purposes of this Agreement, “ **Confidential Information** ” includes, but is not limited to:

- i. Information concerning trade secrets, customers, clients, marketing, business and operational methods of the Company and its customers or clients, contracts, financial or other data, technical data, emails and other correspondence or any other confidential or proprietary information possessed, owned or used by the Company;
 - ii. Sales and marketing information, plans and strategies;
 - iii. Product information, plans and strategies, including pricing methods and information;
 - iv. Employee lists and salary information, personnel evaluations and evaluation procedures;
 - v. Finance strategies, systems, research, plans, reports, recommendations and conclusions;
 - vi. Acquisition or other transactional strategies;
 - vii. Names, arrangements with, or other information relating to the Company’s customers, clients, suppliers, financiers, owners or operators, representatives and other persons who have business relationships with the Company or who are prospects for business relationships with the Company;
 - viii. Technical information, work-product and know-how; and
 - ix. Cost, operating and other management information systems, and other software and programming.
- b. In exchange for the Company’s promises to provide Executive with Confidential Information, Executive shall not during his employment with the Company under this Agreement, or at any time thereafter, disclose to anyone else, or publish, or use for any purpose, any Confidential Information, except as: (i) required in the ordinary course of the Company’s business or Executive’s work for the Company, (ii) required by law or court order, or (iii) directed and authorized in writing by the Company.
- c. Return of Company Property. At the conclusion of Executive’s employment with the Company, for any reason, Executive shall immediately return and deliver to the Company any and all computers, hard drives, papers, books, records, documents, memoranda, manuals, emails, electronic or magnetic recordings or data, including all copies thereof, laptops, pagers, personal digital assistants, cell phones, corporate credit cards, keys, and/or access cards, and any other property belonging to the Company or any affiliate that are in Executive’s possession, whether prepared by Executive or others. If at any time after termination of Executive’s employment, for any reason, Executive determines that Executive
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has any company property not previously returned, Executive shall immediately return such property to the Company.

- d. The Company is the exclusive owner of all Confidential Information.

5. OWNERSHIP AND USE

- a. The Company shall be the exclusive owner of all Inventions, Materials and Proprietary Rights. For the purposes of this Agreement, “**Invention**” means any product, device, technique, know-how, computer program, algorithm, method, process, procedure, improvement, discovery or invention, whether or not patentable or copyrightable and whether or not reduced to practice, that (a) is within the scope of the Company's business, research or investigations or results from or is suggested by any work performed by Executive for the Company and (b) is created, conceived, reduced to practice, developed, discovered, invented or made by Executive while employed by the Company, whether solely or jointly with others, and whether or not while engaged in performing work for the Company. For the purposes of this Agreement, “**Proprietary Right**” means any patent, copyright, trade secret, trademark, trade name, service mark, maskwork or other protected intellectual property right in any Confidential Information, Invention or Material. For the purposes of this Agreement, “**Material**” means any product, prototype, model, document, diskette, tape, picture, design, recording, writing or other tangible item that contains or manifests, whether in printed, handwritten, coded, magnetic or other form, any Confidential Information, Invention or Proprietary Right.
 - b. Executive assigns and transfers, and agrees to assign and transfer, to the Company all rights and ownership that Executive has or will have in Confidential Information, Inventions, Materials and Proprietary Rights, subject to the limitations set forth in Section 5.f. and in the notice below. Further, Executive waives any Moral Rights that Executive may have in any Confidential Information, Inventions, Materials and Proprietary Rights. For the purposes of this Agreement, “**Moral Rights**” means all rights of paternity, integrity, disclosure and withdrawal, and any other right that may be known as “moral rights”). Executive will take such action (including signature and assistance in preparation of documents or the giving of testimony) as may be requested by the Company to evidence, transfer, vest or confirm the Company's rights and ownership in Confidential Information, Inventions, Materials and Proprietary Rights. Executive agrees to keep and maintain adequate and current written records of all Inventions and Proprietary Rights during the Term. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times. Executive will not contest the validity of any Proprietary Right, or aid or encourage any third party to contest the validity of any Proprietary Right of the Company.
 - c. If the Company is unable for any reason to secure Executive's signature to fulfill the intent of the foregoing paragraph or to apply for or to pursue any application
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for any United States or foreign patents or copyright registrations covering Inventions assigned to the Company above, then Executive irrevocably appoints the Company and its authorized agents as Executive's agent and attorney in fact, to transfer, vest or confirm the Company's rights and to execute and file any such applications and to do all other lawful acts to further the prosecution and issuance of letters patent or copyright registrations with the same legal force as if done by Executive.

- d. Except as required for performance of Executive's work for the Company or as authorized in writing by the Company, Executive will not (a) use, disclose, publish or distribute any Confidential Information, Inventions, Materials or Proprietary Rights or (b) remove any Materials from the Company's premises.
- e. Executive will promptly disclose to the Company all Confidential Information, Inventions, Materials or Proprietary Rights, as well as any business opportunity that comes to Executive's attention while employed by the Company and that relates to the business of the Company or that arises as a result of Executive's employment with the Company. Executive will not take advantage of or divert any such opportunity for the benefit of Executive or anyone else either during or after his employment by the Company without the prior written consent of the Company.
- f. Exhibit C is a list describing all inventions, original works of authorship, developments, improvements, and trade secrets that were made by Executive prior to Executive's employment (collectively referred to as "**Prior Inventions**"), which belong to Executive, which relate to the Company's current or proposed business, products or research and development, and which are not assigned to the Company; or, if no such list is attached, Executive represents that there are no such Prior Inventions. If, while employed, Executive incorporates into a Company product, process or machine a Prior Invention owned by Executive or in which Executive has an interest, the Company is granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

NOTICE : Notwithstanding any other provision of this Agreement to the contrary, this Agreement does not obligate Executive to assign or offer to assign to the Company any of Executive's rights in an invention for which no equipment, supplies, facilities or trade secret information of the Company was used and that was developed entirely on Executive's own time, unless (a) the invention relates (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Executive for the Company. This satisfies the written notice and other requirements of RCW 49.44.140.

6. RESTRICTIVE COVENANTS.

- a. The covenants contained in this Section 6 are made by Executive in consideration for (i) the Company's promise to provide Confidential Information to Executive, (ii) the substantial economic investment made by the Company in the Confidential Information and goodwill of the Company, and (iii) the compensation and other benefits afforded by the Company to Executive. To protect the Company's Confidential Information, Executive agrees to enter into the following restrictive covenants.
- i. Non-Competition. Executive agrees that, during Executive's employment with the Company and during the Restricted Period (defined below), other than in connection with Executive's duties under this Agreement, Executive will not, without the prior written consent of the Company, directly or indirectly: (1) have any ownership interest in an entity that engages in the business of providing medical and/or health insurance for pets, including, without limitation, acting as a general agent and/or an underwriter of any form of such insurance (" ***Pet Health Insurance*** "), or (2) engage in executive or managerial duties for an entity that is engaged in the business of Pet Health Insurance, or (iii) otherwise engage accept work, enter into contracts, or provide any services, directly or indirectly, to an entity or individual that is, directly or indirectly, engaged in business of Pet Health Insurance. Notwithstanding the foregoing, during Executive's employment with the Company and during the Restricted Period, Executive shall be permitted to own, directly or indirectly, solely as an investment, securities of any entity that are publicly traded on any national securities exchange if Executive is not the controlling shareholder, or a member of a group that controls such entity, and directly or indirectly, does not own five percent or more of any class of securities of such entity.
- For purposes of this Agreement, " ***Restricted Period*** " means a period of three years following the later of (i) the termination of Executive's employment for any reason or (ii) receipt of the final Termination Payment (as defined below).
- ii. Non-Solicitation. Executive agrees that, during Executive's employment with the Company and during the Restricted Period, other than in connection with performing duties under this Agreement, Executive will not, directly or indirectly, either as a principal, agent, employee, consultant, officer, director, stockholder, partner, investor, lender or in any other capacity, and whether personally or through other persons:
- A. Solicit, induce or attempt to solicit or induce, on behalf of himself or any other person or entity, any employee or independent contractor of the Company who had such relationship with the Company at the time of solicitation to
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terminate their employment or relationship with the Company and/or accept employment or any other relationship elsewhere;

- B. Solicit, induce or attempt to solicit or induce any client, business partner, or prospective client or business partner, of the Company to curtail their business relationship with the Company.
- iii. Tolling. If Executive violates any of the restrictions contained in this Section 6, the Restricted Period will be suspended and will not run in favor of Executive from the time of the commencement of any violation until the time when Executive cures the violation to the satisfaction of the Company, or a court issues a valid temporary restraining order or injunction requiring Executive to comply with his obligations under this Section.
- iv. Remedies. Executive acknowledges that the restrictions contained in Section 4 and this Section 6 of this Agreement, in view of the Company's business and Executive's position with the Company, are reasonable and necessary to protect the Company's legitimate business interests, and that any violations of Section 4 and this Section 6 of this Agreement would result in irreparable injury to the Company. In the event of a breach, the Company shall be entitled to (1) a temporary restraining order and injunctive relief restraining Executive from the commission of any breach, (2) recover attorneys' fees, expenses and costs that the Company incurs in such action, and/or (3) recover any and all damages to which the Company may be entitled at law or in equity as a result of a breach of this Agreement.
- v. Reformation. The courts shall be entitled to modify the duration and scope of any restriction contained herein to the extent such restriction would otherwise be unenforceable, and such restriction as modified shall be enforceable. Executive acknowledges that the restrictions imposed by this Agreement are legitimate, reasonable and necessary to protect the Company's investment in its business and the goodwill thereof. Executive acknowledges that the scope and duration of the restrictions contained herein are necessary and reasonable in light of the time that Executive has been engaged in the business of the Company, Executive's reputation in the market for the Company's business, and Executive's relationships with the customers and business partners of the Company.

7. TERMINATION.

Executive's employment hereunder may be terminated as follows:

- a. Death. Executive's employment hereunder shall terminate upon Executive's death.
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- b. Disability. The Company may terminate Executive's employment hereunder (in accordance with the termination procedures set forth in Section 7.f. upon a determination of Disability of Executive. For purposes of this Agreement, "Disability" means a physical or mental condition that, in the judgment of a duly licensed physician specializing in the area of medicine applicable to any such Disability, and selected in good faith by the Company, prevents Executive from performing the material functions of his position with the Company, even with reasonable accommodation, for a period of not less than 180 consecutive days in any twelve-month period or 270 non-consecutive days in any twelve-month period.
- c. For Any Reason by the Company. The Company may terminate Executive's employment at any time, subject to the termination procedures set forth in Section 7.f.
- d. For any Reason by Executive. Executive may terminate Executive's employment at any time, subject to the termination procedures set forth in Section 7.f.
- e. For Cause by the Company. The Company may terminate Executive's employment hereunder immediately for Cause. For purposes of this Agreement, "**Cause**" is defined as:
 - i. acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of Executive with respect to Executive's obligations or otherwise relating to the business of the Company;
 - ii. Executive's material breach of this Agreement;
 - iii. Executive's conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, or any felony or crime of moral turpitude or that otherwise negatively impacts Executive's ability to effectively perform Executive's duties hereunder;

If termination is based on this Section 7.e.i. or this Section 7.e.ii., Executive will have thirty days from receipt of written notice from the Company specifying the deficiency to cure the issue, if curable.

- f. Termination Procedure. Any termination of Executive's employment by the Company or by Executive (other than termination pursuant to Section 7.a, 7.b. or 7.e) shall be communicated by written Notice of Termination to the other Party hereto in accordance with Section 12 not less than thirty days prior to the termination date, except as otherwise set forth herein. For purposes of this Agreement, a "**Notice of Termination**" shall mean a notice indicating the specific termination provision in this Agreement relied upon as the basis for such termination and setting forth the specific reason(s) for such termination.

For purposes of this Agreement, the "**Date of Termination**" shall mean (i) if Executive's employment is terminated by death, the date of death; (ii) if

Executive's employment is terminated for disability pursuant to Section 7.b., thirty days after the date of delivery of the Notice of Termination; (iii) if Executive's employment is terminated for Cause pursuant to Section 7.e, the date specified in the Notice of Termination; and (iv) if Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date agreed to in writing by the Company or Executive. After delivery of a Notice of Termination, the Company may require that Executive cease representing the Company, cease taking any action on behalf of the Company and cease being present at any Company location.

g. Obligations upon Termination.

- i. The Company's Obligations to Executive Upon Termination for Cause. In the event the Company terminates Executive's employment for Cause, Executive shall be entitled to receive (i) reimbursement for any unreimbursed expenses properly incurred prior to the Date of Termination and (ii) any earned but unused vacation time through the Date of Termination. Executive will not be entitled to receive the Termination Payments described in Section 7.g.ii.
 - ii. The Company's Obligations Following Termination Due to Death or Disability, Termination Without Cause by the Company, or Termination by Executive. In the event the Company terminates Executive's employment for death or Disability, or without Cause, the Company shall be obligated to pay (i) reimbursement for any unreimbursed expenses properly incurred prior to the Date of Termination, (ii) any earned but unused vacation time through the Date of Termination, and (iii) any Termination Payments. For the purposes of this Agreement, "**Termination Payments**" are defined as the payments to Executive or in the event of Executive's death to the Graff Marital Trust (or such other persons or entity designated by Executive to receive payments in the event of Executive's death) over the time period (the "**Termination Payment Period**") and in the amount set forth on Exhibit B. Any payments made under this provision shall be made on the same schedule as if Executive's employment had not been terminated, although the Company reserves the right in its sole discretion to make any partial month payments together with the final full month payment.
 - iii. Executive's Obligations to the Company Following Termination. Except for termination due to death, Disability, or for Misconduct Cause, during the Termination Payment Period Executive agrees, in consideration for the Termination Payments and other valuable consideration, the adequacy and receipt of which Executive acknowledges by executing this Agreement, to reasonably assist the Company to facilitate an orderly transition away from the services Executive previously provided, for a period of up to six months beginning with the Termination Effective Date. It is the intent of the Parties that Executive would spend no more than 25% over an average
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week of the time Executive previously spent working for the Company to facilitate such a transition.

8. APPLICATION OF SECTION 409A.

- a. Notwithstanding anything set forth in this Agreement to the contrary, no amount payable pursuant to this Agreement that constitutes a “deferral of compensation” within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the “Section 409A Regulations”) shall be paid unless and until Executive has incurred a “separation from service” within the meaning of the Section 409A Regulations. Furthermore, to the extent Executive is a “specified employee” within the meaning of the Section 409A Regulations as of the date of Executive’s Separation from service, no amount that constitutes a deferral of compensation that is payable on account of Executive’s separation from service shall be paid to Executive before the date (the “Delayed Payment Date”) which is the first day of the seventh month after the date of Executive’s separation from service or, if earlier, the date of Executive’s death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.
- b. The Company intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. **However, the Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement.** In any event, except for the Company’s responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, the Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to Executive pursuant to this Agreement.
- c. Notwithstanding anything to the contrary in this Agreement, the reimbursement of expenses or in-kind benefits provided pursuant to this Agreement shall be subject to the following conditions: (1) the expenses eligible for reimbursement or in-kind benefits in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year; (2) the reimbursement of eligible expenses or in-kind benefits shall be made promptly, subject to the Company’s applicable policies, but in no event later than the end of the year after which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

9. MODIFICATION.

No amendment, change, or modification of this Agreement shall be valid unless in writing and signed by duly authorized representatives of both Parties.

10. SEVERABILITY.

Should a court or arbitrator determine that any paragraph or sentence, or any portion of a paragraph or sentence of this Agreement, is invalid, unenforceable, or void, this determination shall not have the effect of invalidating the remainder of the paragraph, sentence or any other provision of this Agreement. Further, the court or arbitrator should construe this Agreement by limiting and reducing it only to the extent necessary to be enforceable under then applicable law.

11. NO IMPLIED WAIVER.

The failure of either Party to insist on strict performance of any covenant or obligation under this Agreement, regardless of the length of time for which such failure continues, shall not be deemed a waiver of such Party's right to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation under this Agreement shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation.

12. NOTICE.

Any notice or other communication provided for herein or given hereunder to a Party hereto shall be in writing and shall be given in person, by overnight courier, or by mail (registered or certified mail, postage prepaid, return-receipt requested), to the respective Parties as follows:

If to the Company:

Trupanion, Inc. Attn: CEO _____
6100 4th Avenue S, Suite 200 _____
Seattle, WA 98108 _____

If to Executive:

Timothy Graff _____
3055 25th Avenue West _____
Seattle, WA 98199 _____

13. GOVERNING LAW AND ARBITRATION.

This Agreement shall be governed by the laws of the state of Washington, without giving effect to any choice or conflict of law provision or rule. Except as set forth in Section 6.a.iv, all claims or disputes between the Parties arising out of this Agreement will be subject to binding arbitration and presided over by a single arbiter selected by the American Arbitration Association or a similar body, with the costs of such arbitration initially being borne by the Party requesting the arbitration. The arbitration proceeding will be held in Seattle, Washington. The substantially prevailing party in arbitration shall be entitled to recover its reasonable attorneys' fees and costs.

14. SUCCESSORS AND ASSIGNMENT.

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors and permitted assigns. The Company may assign this Agreement to any individual, business, firm, company, partnership, joint venture, organization or other entity who or which may acquire most of the Company's assets or business or with or into which the Company may be liquidated, consolidated, merged or otherwise combined. This Agreement is personal to Executive and may not be assigned or delegated by him, except pursuant to any valid consulting agreement the Company may enter into to receive certain designated services, and any other such purported assignment or delegation shall be null and void.

15. NO MITIGATION.

Executive shall not be required to mitigate amounts payable hereunder by seeking other employment or otherwise.

16. COUNTERPARTS/ELECTRONIC SIGNATURES.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. For purposes of this Agreement, use of a facsimile, e-mail, or other electronic medium shall have the same force and effect as an original signature.

17. SEVERABILITY.

Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality, or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed, and enforced in such jurisdiction as if such invalid, illegal, or unenforceable provisions had never been contained herein.

18. INTERPRETATION.

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties. No presumption or burden of proof will arise favoring or disfavoring either Party by virtue of the authorship of any of the provisions of this Agreement. EACH PARTY ACKNOWLEDGES THAT SUCH PARTY HAS HAD THE OPPORTUNITY TO HAVE THIS AGREEMENT REVIEWED BY ATTORNEYS AND OTHER PROFESSIONAL ADVISORS OF SUCH PARTY'S CHOICE, AND THAT SUCH PARTY EITHER (A) HAS CONSULTED WITH ATTORNEYS AND OTHER PROFESSIONAL ADVISORS BEFORE

EXECUTING AND DELIVERING THIS AGREEMENT OR (B) HAS VOLUNTARILY AND FREELY CHOSEN NOT TO CONSULT WITH ATTORNEYS AND OTHER PROFESSIONAL ADVISORS BEFORE EXECUTING AND DELIVERING THIS AGREEMENT.

19. ENTIRE AGREEMENT.

This Agreement, constitutes the final, complete, and exclusive statement of the agreement of the Parties with respect to the subject matter hereof, and supersedes any and all other prior and contemporaneous agreements and understandings, both written and oral, between the Parties.

20. HEADINGS.

Headings used in this Agreement are provided for convenience only and shall not be used to construe meaning or intent.

21. FURTHER ASSURANCES.

The Parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

COMPANY

Trupanion, Inc.

By: 

Name: Darryl Rawlings

Title: Chief Executive Officer

EXECUTIVE

By: 

Name: Timothy Graff

EXHIBIT A

VARIABLE SALARY COMPENSATION

The Company shall pay to Executive a Monthly Salary as per the table below:

	Monthly Gross Earned Premium in Other Revenue	PAYMENT to Executive
Band ID	Gross Earned Premium (GEP)	Commission %
1	If the monthly GEP is < \$166,666 = No Payment	0.000000%
2	If the monthly GEP is \$166,667 or > but < \$249,999	0.2507330%
3	If the monthly GEP is \$250,00 or > but < \$333,332	0.3973031%
4	If the monthly GEP is \$333,333 or > but < \$416,666	0.5012154%
5	If the monthly GEP is \$416,667 or > but < \$833,332	0.5817478%
6	If the monthly GEP is \$833,333 or > but < \$1,233,332	0.8312552%
7	If the monthly GEP is \$1,233,333 or > but < \$4,166,666	0.9375000%
8	If the monthly GEP is \$4,166,667 or > but < \$8,333,332	1.2500000%
9	If the monthly GEP is \$8,333,333 or > but < \$24,999,999	1.4062500%
10	If the monthly GEP is \$25,000,000 or >	1.5625000%

Verbal Description of the process:

1. Every month Finance captures and records the GEP for all business classified as Other Revenue. For purposes of this Agreement, the Parties agree that when defining “Other Revenue” they will attempt to classify Other Revenue consistent with how the Company records “Other Revenue” business on its financial statements. For the purposes of this Agreement, “**Other Revenue**” is defined as any business (1) where the Company is not directly performing the marketing of the policy to consumers or (2) where the cancellation pattern of a sub-segment of the Company’s business may be positively or negatively affected by the execution or termination of a contract with a person or entity that could result in numerous pets owned by different policyholders enrolling or cancelling over a period of time.

In addition, to avoid confusion regarding potential exceptions or differing interpretations regarding this definition, the Parties agree that APIC’s President and Trupanion, Inc.’s CFO will jointly agree at the inception of each new transaction that might lead to the generation of “Other Revenue” on whether premium arising from that transaction should be eligible for compensation under this Agreement. Once that determination has been made and a transaction has been classified as “included in Other Revenue” for the purposes of this Agreement, all future earned premium associated with that transaction will be included in the monthly earned premium calculation. To avoid any doubt, the Parties agree to record and track earned premium at the transaction level and share this data monthly as accompanying support to the monthly payments being made under this Agreement.

2. Once the GEP for the month is known and booked, Finance compares the GEP in the month to the monthly GEP bands described in the above table.
3. Once the correct commission band is determined, Finance multiplies the actual GEP in the month by the commission percentage and processes the payment accordingly.

Example (1)

GEP in July 2017 is \$1,553,444. That slots into band 7, i.e. above \$1,233,333 but less than \$4,166,666.

Pay Executive $\$1,553,444 * 0.9375\% =$

\$14,563.54

Example (2)

GEP in Sept 2019 is \$4,177,000. That slots into band 8, i.e. above \$4,166,667 but less than \$8,333,332.

Pay Executive $\$4,177,000 * 1.25\% =$

\$52,212.50

Example (3)

GEP in Oct 2019 drops to \$4,150,000. That slots into band 7 i.e. above \$1,233,333 but less than \$4,166,666.

Pay Executive $\$4,150,000 * 0.9375\% =$

\$38,906.25

EXHIBIT B

TERMINATION PAYMENT SCHEDULE

Effective Date of Termination	Amount of Payment per Month	Number of Months Payable Beginning on the Termination Effective Date
Before 1/1/2018	None	Not applicable
After 1/1/2018	The average of the monthly amount payable to Executive pursuant to <u>Exhibit A</u> over the three full months prior to the Termination Effective Date.	Six months plus 0.5 months for each full month of employment completed after 1/1/2018 up to a maximum of 24 months.

EXHIBIT C

LIST OF PRIOR INVENTIONS AND
ORIGINAL WORKS OF AUTHORSHIP

Title	Date	Identifying Number or Brief Description



No inventions or improvements



Additional Sheets Attached

Signature of Employee: 

Print Name of Employee: TIM GRAFF

Date: JAN 13TH 2017



\$30,000,000 SENIOR CREDIT FACILITY

LOAN AND SECURITY AGREEMENT

Dated as of December 16, 2016

among

TRUPANION, INC. and TRUPANION MANAGERS USA, INC., as Borrowers

The Lenders from time to time parties hereto

and

PACIFIC WESTERN BANK,

as Administrative Agent

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LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (the “ **Agreement** ”) is entered into as of December 16, 2016, by and among TRUPANION, INC., a Delaware corporation (“ **Trupanion** ”), TRUPANION MANAGERS USA, INC., an Arizona corporation (“ **Trupanion Managers** ”); together with Trupanion, individually and collectively, “ **Borrower** ”), the several banks and other financial institutions or entities from time to time party to this Agreement (each a “ **Lender** ” and, collectively, the “ **Lenders** ”), PACIFIC WESTERN BANK, a California state chartered bank (“ **PWB** ”), as a Lender and as administrative agent and collateral agent for the Lenders (in such capacities, the “ **Administrative Agent** ”).

RECITALS

A. Borrower wishes to obtain credit from time to time from Lenders, and Lenders desire to extend credit to Borrower. This Agreement sets forth the terms on which Lenders will advance credit to Borrower, and Borrower will repay the amounts owing to Lenders.

AGREEMENT

The parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1. Definitions . As used in this Agreement, all capitalized terms shall have the definitions set forth below. Any term used in the Code and not defined herein shall have the meaning given to the term in the Code.

“ **Account Debtor** ” means any Person who is obligated on an accounts receivable and “ **Account Debtors** ” means all Persons who are obligated on the Accounts.

“ **Accounts** ” means all presently existing and hereafter arising accounts, contract rights, payment intangibles and all other forms of obligations owing to Borrower arising out of the sale or lease of goods (including, without limitation, the licensing of software and other technology) or the rendering of services by Borrower and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower’s Books relating to any of the foregoing.

“ **Administrative Agent** ” means PWB, as the administrative agent under this Agreement and the other Loan Documents, together with any of its successors in such capacity.

“ **Administrative Agent Expenses** ” means all reasonable costs or expenses (including reasonable attorneys’ fees and expenses, whether generated in-house or by outside counsel) incurred in connection with the preparation, negotiation, administration, and enforcement of the Loan Documents; reasonable Collateral audit fees; and Administrative Agent’s reasonable attorneys’ fees and expenses (whether generated in-house or by outside counsel) incurred in amending, enforcing or defending the Loan Documents (including fees and expenses of appeal), incurred before, during and after an Insolvency Proceeding, whether or not suit is brought.

“ **Advance** ” or “ **Advances** ” means a cash advance or cash advances under the Revolving Line.

“ **Affected Lender** ” is defined in Section 2.13.

“ **Affiliate** ” means, with respect to any Person, any Person that owns or controls directly or indirectly such Person, any Person that controls or is controlled by or is under common control with such Person, and each of such Person’s senior executive officers, directors, and general partners.

“ **Aggregate Exposure** ” means, as to any Lender at any time, the unused Commitments, the aggregate principal amount of its outstanding Advances, the LC Exposure, and any amounts outstanding under the Ancillary Services.

“ **Aggregate Exposure Percentage** ” means with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender’s Aggregate Exposure at such time to the Aggregate Exposure of all Lenders at such time.

“ **Ancillary Services** ” means any of the following products or services requested by Borrower and approved by Administrative Agent under the Revolving Line, including, without limitation, Automated Clearing House transactions, corporate credit card services, FX Contracts, or other treasury management services.

“ **APIC** ” means American Pet Insurance Company, which is a Subsidiary of Borrower.

“ **APIC’s Net Cash** ” means the sum of all of APIC’s and Wyndham’s Cash and investment assets, excluding such assets held in trust for, or in, Borrower’s Subsidiaries which are in the business of providing insurance.

“ **Approved Fund** ” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender, or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“ **Assignment and Assumption** ” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 13.1), and accepted by the Administrative Agent.

“ **Authorized Officer** ” means someone designated as such in the corporate resolution provided by Borrower to Administrative Agent in which this Agreement and the transactions contemplated hereunder are authorized by Borrower’s Board of Directors. If Borrower provides subsequent corporate resolutions to Administrative Agent after the Closing Date, the individual(s) designated as “Authorized Officer(s)” in the most-recently provided resolution shall be the only “Authorized Officers” for purposes of this Agreement.

“ **Availability Amount** ” is (a) the lesser of (i) the Revolving Line or (ii) the amount available under the Borrowing Base, minus the sum of (i) the LC Exposure, (ii) any amounts outstanding under the Ancillary Services, and (iii) the outstanding principal balance of any Advances.

“ **Availability Period** ” means the period from and including the Closing Date to but excluding the earlier of the Revolving Maturity Date and the date of termination of the Revolving Commitments.

“ **Bail-In Action** ” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“ **Bail-In Legislation** ” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“ **Bankruptcy Code** ” means Title 11 of the United States Code as amended from time to time, and any successor Laws.

“ **Benefitted Lender** ” is defined in Section 13.13.

“ **Borrower’s Books** ” means all of Borrower’s books and records including: ledgers; records concerning Borrower’s assets or liabilities, the Collateral, business operations or financial condition; and all computer programs, or tape files, and the equipment, containing such information.

“ **Borrowing Base** ” means an amount equal to one hundred percent (100%) of APIC’s Net Cash, as determined by Administrative Agent with reference to the most recent Borrowing Base Certificate delivered by Borrower pursuant to Section 6.2 of this Agreement.

“ **Borrowing Base Certificate** ” means a borrowing base certificate, in substantially the form of Exhibit C attached hereto, executed by a Responsible Officer of Borrower.

“ **Borrowing Date** ” means any Business Day specified by the Borrower in a Loan Advance/Paydown Request Form as a date on which the Borrower requests the Lenders to make Loans hereunder.

“ **Business Day** ” means any day that is not a Saturday, Sunday, or other day on which banks in the State of New York are authorized or required to close.

“ **Capitalized Expenditures** ” means current period unfinanced cash expenditures that are capitalized and amortized over a period of time in accordance with GAAP, including but not limited to capitalized cash expenditures for capital equipment, capitalized manufacturing and labor costs as they relate to inventory, and software development.

“ **Cash** ” means all assets that, in accordance with GAAP consistently applied, should be classified as unrestricted cash and cash equivalents, but excluding all cash and cash equivalents that are held with financial institutions other than the Lender pursuant to Section 6.6 of this Agreement.

“ **Change in Control** ” shall mean a transaction other than a bona fide equity financing or series of financings on terms and from existing investors or other investors reasonably acceptable to Administrative Agent in which any “person” or “group” (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of a sufficient number of shares of all classes of stock then outstanding of Borrower ordinarily entitled to vote in the election of directors, empowering such “person” or “group” to elect a majority of the Board of Directors of Borrower, who did not have such power before such transaction.

“ **Claims Ratio** ” means the ratio of (a) the twelve (12)-month rolling average of claims expenses of APIC and Wyndham (in each case excluding Loss Adjustment Expenses) to (b) premium revenues of APIC and Wyndham during the same period, expressed as a percentage.

“ **Closing Date** ” means the date of this Agreement.

“ **Code** ” means the New York Uniform Commercial Code as amended or supplemented from time to time.

“ **Collateral** ” means the property described on Exhibit A attached hereto and all Negotiable Collateral and Intellectual Property Collateral to the extent not described on Exhibit A, except to the extent any such property (i) is nonassignable by its terms without the consent of the licensor thereof or another party (but only to the extent such prohibition on transfer is enforceable under applicable law, including, without limitation, §9-406 and §9-408 of the Code), (ii) the granting of a security interest therein is contrary to applicable law, provided that upon the cessation of any such restriction or prohibition, such property shall automatically become part of the Collateral, (iii) constitutes the capital stock of a controlled foreign corporation (as defined in the IRC), in excess of sixty-five percent (65%) of the voting power of all classes of capital stock of such controlled foreign corporations entitled to vote, or (iv) property (including any attachments, accessions or replacements) that is subject to a Lien that is permitted pursuant to clause (c) of the definition of Permitted Liens, if the grant of a security interest with respect to such property pursuant to this Agreement would be prohibited by the agreement creating such Permitted Lien or would otherwise constitute a default thereunder, provided, that such property will be deemed “Collateral” hereunder upon the termination and release of such Permitted Lien.

“ **Collateral State** ” means the state or states where the Collateral is located, which are Washington, and any other state of which Borrower has provided the Administrative Agent with at least 20 days’ prior written notice, together with current good standing certificates (to the extent issued in such state) and, a landlord waiver in form and substance satisfactory to the Administrative Agent for (a) Borrower’s chief executive office located at 6100 4th Avenue S., Suite 200, Seattle, Washington 98108, and (b) each other domestic location where Borrower maintains Collateral having an aggregate book value in excess of Five Hundred Thousand Dollars (\$500,000).

“ **Commitment** ” means, as to any Lender, its Revolving Commitment.

“ **Compliance Certificate** ” means a compliance certificate, in substantially the form of Exhibit D attached hereto, executed by a Responsible Officer of Borrower.

“ **Connection Income Taxes** ” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“ **Contingent Obligation** ” means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any indebtedness, lease, dividend, letter of credit or other obligation of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards or merchant services issued for the account of that Person; and (iii) all obligations arising under any interest rate, currency or commodity swap agreement, interest rate cap agreement, interest rate collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term “Contingent Obligation” shall not include endorsements for collection

or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

“ **Contractual Obligation** ” means as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“ **Copyrights** ” means any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held.

“ **Credit Extension** ” means each Advance, Letters of Credit, all Ancillary Services, or any other extension of credit by Lenders, to or for the benefit of Borrower hereunder.

“ **Debtor Relief Laws** ” means the Bankruptcy Code and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“ **Default** ” means any event, fact, circumstance or condition that, with the giving of applicable notice or passage of time or both, would constitute or result in an Event of Default.

“ **Defaulting Lender** ” means, subject to Section 2.14(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any Lender any other amount required to be paid by it hereunder within two (2) Business Days of the date when due, (b) has notified the Borrower and the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s reasonable determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Laws, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its

business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-in Action; 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 so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.14(b)) upon delivery of written notice of such determination to the Borrower and each Lender.

“ **Discharge of Obligations** ” means, subject to Section 13.15, the satisfaction of the Obligations by the payment in full, in of the principal of and interest on or other liabilities relating to each Loan, all fees and all other expenses or amounts payable under any Loan Document (other than inchoate indemnification obligations and any other obligations which pursuant to the terms of any Loan Document specifically survive repayment of the Loans for which no claim has been made), to the extent (a) no default or termination event shall have occurred and be continuing thereunder, and (b) the aggregate Commitments of the Lenders are terminated.

“ **EBITDA** ” means with respect to any fiscal period, an amount equal to earnings before the sum of (a) tax, plus (b) depreciation and amortization, plus (c) interest and non-cash expenses, plus (d) any non-cash stock compensation expenses, plus (e) loss from equity method investments, and minus gain from equity method investments.

“ **EEA Financial Institution** ” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“ **EEA Member Country** ” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“ **EEA Resolution Authority** ” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegatee) having responsibility for the resolution of any EEA Financial Institution.

“ **Eligible Assignee** ” means any Person that meets the requirements to be an assignee under Sections 13.1(b)(iii), 13.1(b)(v), and 13.1(b)(vi) (subject to such consents, if any, as may be required under Sections 13.1(b)(iii)).

“ **Equipment** ” means all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest.

“ **ERISA** ” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

“ **ERISA Affiliate** ” means each business or entity which is, or within the last six (6) years was, a member of a “controlled group of corporations,” under “common control” or an “affiliated service group” with any Loan Party within the meaning of Section 414(b), (c) or (m) of the Code, required to be aggregated with any Loan Party under Section 414(o) of the Code, or is, or within the last six years was, under “common control” with any Loan Party, within the meaning of Section 4001(a)(14) of ERISA.

“ **ERISA Event** ” means any of (a) a reportable event as defined in Section 4043 of ERISA with respect to a Pension 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 thirty (30) days of the occurrence of such event; (b) 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 Pension 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; (c) a withdrawal by any Loan Party or any ERISA Affiliate thereof from a Pension Plan or the termination of any Pension Plan resulting in liability under Sections 4063 or 4064 of ERISA; (d) the withdrawal of any Loan Party or, to the knowledge of any Loan Party, 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 Loan Party or, to the knowledge of an Loan Party, any ERISA Affiliate thereof of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4245 of ERISA; (e) 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 Pension Plan or Multiemployer Plan; (f) the imposition of liability on any Loan Party 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; (g) the failure by any Loan Party or any ERISA Affiliate thereof to make any required contribution to a Pension Plan, or the failure to meet the minimum funding standard of Section 412 of the Code with respect to any Pension 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 Pension Plan or the failure to make any required contribution to a Multiemployer Plan; (h) the determination that any Pension 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; (i) 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 Pension Plan or Multiemployer Plan; (j) 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 Loan Party or any ERISA Affiliate thereof; (k) 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 Pension Plan; (l) the occurrence of a non exempt prohibited transaction under Sections 406 or 407 of ERISA for which any Loan Party or any Subsidiary thereof may be directly or indirectly liable; (m) the occurrence of an act or omission which could give rise to the imposition on any Loan Party 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; (n) the assertion of a material claim (other than routine claims for

benefits) against any Pension Plan or the assets thereof, or against any Loan Party or any Subsidiary thereof in connection with any such Pension Plan; (o) receipt from the IRS of notice of the failure of any Pension Plan to qualify under Section 401(a) of the Code, or the failure of any trust forming part of any Pension Plan to fail to qualify for exemption from taxation under Section 501(a) of the Code; or (p) 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 Loan Party 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.

“ **Existing Loan Facility** ” means that that certain Amended and Restated Loan and Security Agreement dated as of August 24, 2012, by and between Borrower and PWB, as the same has been amended from time to time.

“ **EU Bail-In Legislation Schedule** ” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“ **Event of Default** ” has the meaning assigned in Article 8.

“ **Excluded Lender** ”: (a) any Person specifically identified by name in writing to the Administrative Agent by Trupanion on or prior to the Closing Date, and (b) any direct competitor of any Loan Party or a vulture/distressed debt fund that is designated in writing to the Administrative Agent by Trupanion (x) on or prior to the Closing Date or (y) subject to the Administrative Agent’s consent (not to be unreasonably withheld or delayed), periodically prior to the Revolving Maturity Date.

“ **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 or revenue (however denominated), franchise Taxes, and branch profits Taxes, in any such case (i) to the extent 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 (or any political subdivision thereof), or (ii) to the extent constituting Other Connection Taxes; (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.13) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.11, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office; (c) Taxes attributable to such Recipient’s failure to comply with Section 2.11(f); and (d) any U.S. federal withholding Taxes imposed under FATCA.

“ **Facilities** ” means the Revolving Facility.

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

“ **Federal Funds Effective Rate** ” means for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by PWB from three federal funds brokers of recognized standing selected by it.

“ **Fee Letter** ” is that certain letter agreement dated as of the Closing Date between the Borrower and WAB.

“ **Foreign Exchange Reserve Percentage** ” means a percentage of reserves for FX Contracts as determined by Administrative Agent, in its sole but reasonable discretion from time to time.

“ **Foreign Lender** ” means (a) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes.

“ **Fund** ” means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“ **Funding Office** ” means the office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Lenders.

“ **FX Contracts** ” means contracts between Borrower and Administrative Agent for foreign exchange transactions.

“ **GAAP** ” means generally accepted accounting principles, consistently applied, as in effect from time to time in the United States.

“ **Governmental Authority** ” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“ **Group Members** ” means the collective reference to Borrower and its Subsidiaries.

“ **Indebtedness** ” means (a) all indebtedness for borrowed money or the deferred purchase price of property or services, including without limitation reimbursement and other obligations with respect to surety bonds and letters of credit, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations, and (d) all Contingent Obligations, including but not limited to any sublimit contained in this Agreement.

“ **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 of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“ **Indemnatee** ” is defined in Section 13.2.

“ **Insolvency Proceeding** ” means any proceeding commenced by or against any Person or entity under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including assignments for the benefit of creditors, formal or informal moratoria, compositions, extension generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“ **Intellectual Property Collateral** ” means all of Borrower’s right, title, and interest in and to the following:

- (a) Copyrights, Trademarks and Patents;
- (b) Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;
- (c) Any and all design rights which may be available to Borrower now or hereafter existing, created, acquired or held;
- (d) Any and all claims for damages by way of past, present and future infringement of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;
- (e) All licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or rights;
- (f) All amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents; and
- (g) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

“ **Inventory** ” means all present and future inventory in which Borrower has any interest.

“ **Investment** ” means any beneficial ownership of (including stock, partnership or limited liability company interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

“ **IP Agreement** ” means, individually and collectively, (a) the Intellectual Property Security Agreement by and between Trupanion and Administrative Agent dated as of the Closing Date, as the same may be amended, modified, supplemented or restated from time to time and (b) the Intellectual Property Security Agreement by and between Trupanion Managers and Administrative Agent dated as of the Closing Date, as the same may be amended, modified, supplemented or restated from time to time.

“ **IRC** ” means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

“ **Issuing Bank** ” means PWB in its capacity as the issuer of Letters of Credit hereunder. Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by its Affiliates, in which case the term “Issuing Bank” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate. At any time there is more than one Issuing Bank, all singular references to the Issuing Bank shall mean any Issuing Bank, either Issuing Bank, each Issuing Bank, the Issuing Bank that has issued the applicable Letter of Credit, or both (or all) Issuing Banks, as the context may require.

“ **Laws** ” means all ordinances, statutes, rules, regulations, orders, injunctions, writs, or decrees of any Governmental Authority.

“ **LC and Ancillary Services Sublimit** ” means a sublimit for Ancillary Services and Letters of Credit under the Revolving Line not to exceed Three Million Dollars (\$3,000,000).

“ **LC Collateral Account** ” is defined in Section 2.3(j).

“ **LC Disbursement** ” means any payment made by an Issuing Bank pursuant to a Letter of Credit.

“ **LC Exposure** ” means, at any time, the sum of (a) the aggregate undrawn amount of all standby Letters of Credit outstanding at such time, plus (b) the aggregate amount of all LC Disbursements relating to standby Letters of Credit that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Revolving Percentage of the aggregate LC Exposure at such time.

“ **Lenders** ” is defined in the preamble hereof, the Persons listed on Schedule 1.1, or any other Person that shall have become a Lender hereunder pursuant to the Assignment and Assumption, other than any such Person that ceases to be a Lender hereunder pursuant to an Assignment and Assumption.

“ **Letter of Credit** ” means a commercial or standby letter of credit or similar undertaking issued by Administrative Agent at Borrower’s request.

“ **Lien** ” means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

“ **Loan** ” means the Revolving Loan and any other loan or extension of credit, now or hereafter made or maintained by any Lender pursuant to this Agreement or any of the Loan Documents.

“ **Loan Documents** ” means, collectively, this Agreement, the IP Agreement, the Wyndham Pledge Agreement, any Note or Notes executed by Borrower, and any other document, instrument or agreement entered into in connection with this Agreement, all as amended or extended from time to time.

“ **Loan Party** ” means each Group Member that is now or hereafter a party to a Loan Document.

“ **Loss Adjustment Expense** ” means actual out of pocket costs and expenses incurred by Borrower associated with adjudicating a medical claim during any period of measurement.

“ **Material Adverse Effect** ” means a material adverse effect on (i) the operations, business or financial condition of Borrower and its Subsidiaries taken as a whole, (ii) the ability of Borrower to repay the Obligations or otherwise perform its material obligations under the Loan Documents, or (iii) Borrower’s interest in, or the value (taken as a whole), perfection or priority of Administrative Agent’s and Lenders’ security interest in the Collateral.

“ **Minority Lender** ” is defined in Section 13.5(b).

“ **Multiemployer Plan** ” means a “multiemployer plan” (within the meaning of Section 3(37) of ERISA) to which any Loan Party or any ERISA Affiliate thereof makes, is making, or is obligated or has ever been obligated to make, contributions.

“ **Negotiable Collateral** ” means all of Borrower’s present and future letters of credit of which it is a beneficiary, drafts, instruments (including promissory notes), securities, documents of title, and chattel paper, and Borrower’s Books relating to any of the foregoing.

“ **New Subsidiary** ” means a Subsidiary formed after the date hereof during the term of this Agreement.

“ **Non-Consenting Lender** ” means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all affected Lenders in accordance with the terms of 13.5 and (b) has been approved by the Required Lenders.

“ **Note** ” means a Revolving Loan Note.

“ **Obligations** ” means all debt, principal, interest, Administrative Agent Expenses and other amounts owed to Lenders by Borrower pursuant to this Agreement or any other agreement, whether absolute or contingent, due or to become due, now existing or hereafter arising, including any interest that accrues after the commencement of an Insolvency Proceeding and including any debt, liability, or obligation owing from Borrower to others that Lenders may have obtained by assignment or otherwise.

“ **OFAC** ” is defined in Section 5.17.

“ **Operating Documents** ” means for any Person as of any date, such Person’s constitutional documents, formation documents and/or certificate of incorporation (or equivalent thereof), as certified (if applicable) by such Person’s jurisdiction of formation as of a recent date, and, (a) if such Person is a corporation, its bylaws or memorandum and articles of association (or equivalent thereof) in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

“ **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 2.13).

“ **Overadvance** ” is defined in Section 2.2.

“ **Participant** ” is defined in Section 13.1(d).

“ **Participant Register** ” is defined in Section 13.1(d).

“ **Patents** ” means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

“ **Patriot Act** ” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, Title III of Pub. L. 107-56, signed into law October 26, 2001.

“ **Payment Advance Form** ” is defined in Section 2.1(b)(i).

“ **PBGC** ” means the Pension Benefit Guaranty Corporation, or any successor thereto.

“ **Pension Plan** ” means an employee pension plan (as defined in Section 3(2) of ERISA) other than a Multiemployer Plan subject to the provisions of Title IV of ERISA or Sections 412 and 430 of the Code or Sections 302 and 303 of ERISA and in respect of which any Loan Party or any ERISA Affiliate thereof is (or if such plan were terminated would under Section 4069 of ERISA be deemed to be) a “contributing sponsor” as defined in Section 4001(a)(13) of ERISA.

“ **Periodic Payments** ” means all installments or similar recurring payments that Borrower may now or hereafter become obligated to pay to Administrative Agent pursuant to the terms and provisions of any instrument, or agreement now or hereafter in existence between Borrower and Administrative Agent.

“ **Permitted Indebtedness** ” means:

- (a) Indebtedness of Borrower in favor of Lenders arising under this Agreement or any other Loan Document;
 - (b) Indebtedness existing on the Closing Date and disclosed in the Schedule;
 - (c) Indebtedness not to exceed One Million Five Hundred Thousand Dollars (\$1,500,000) in the aggregate in any fiscal year of Borrower secured by a lien described in clause (c) of the defined term “Permitted Liens,” provided such Indebtedness does not exceed at the time it is incurred the lesser of the cost or fair market value of the property financed with such Indebtedness;
 - (d) Subordinated Debt;
-

(e) Indebtedness to trade creditors incurred in the ordinary course of business; and

(f) Extensions, refinancings and renewals of any items of Permitted Indebtedness, provided that the principal amount is not increased or the terms modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

“ **Permitted Investment** ” means:

(a) Investments existing on the Closing Date disclosed in the Schedule;

(b) (1) Marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one year from the date of acquisition thereof, (1) commercial paper maturing no more than one year from the date of creation thereof and currently having rating of at least A-2 or P-2 from either Standard & Poor’s Corporation or Moody’s Investors Service, (1) Administrative Agent’s or any Lender’s certificates of deposit maturing no more than one year from the date of investment therein, and (1) Administrative Agent’s or any Lender’s money market accounts; (1) Investments in regular deposit or checking accounts held with Administrative Agent or any Lender or as otherwise permitted by, and subject to the terms and conditions of, Section 6.6 of this Agreement; and (1) Investments consistent with any investment policy adopted by Borrower’s Board of Directors;

(c) Repurchases of stock from officers, consultants, employees or directors of Borrower under the terms of applicable repurchase agreements (i) in an aggregate amount not to exceed Five Hundred Thousand Dollars (\$500,000) in any fiscal year, provided that no Event of Default has occurred and is continuing and would exist after giving effect to the repurchases, or (ii) in any amount where the consideration for the repurchase is the cancellation of indebtedness owed by such officers, consultants, employees or directors to Borrower regardless of whether an Event of Default exists;

(d) Investments accepted in connection with Permitted Transfers;

(e) Non cash Investments of Subsidiaries in or to other Subsidiaries in Subsidiaries and by Borrower in one or more Subsidiaries and cash Investments (i) of Subsidiaries in or to other Subsidiaries and Investments by Borrower in Subsidiaries not to exceed One Million Dollars (\$1,000,000) in the aggregate in any fiscal year and (ii) in a Borrower;

(f) Investments not to exceed One Million Dollars (\$1,000,000) outstanding in the aggregate at any time consisting of (1) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (1) loans to employees, independent contractors that have entered into territory partner agreements with Borrower, officers or directors relating to payroll or the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plan agreements approved by Borrower’s Board of Directors;

(g) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of Borrower’s business;

(h) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business, provided that this subparagraph (h) shall not apply to Investments of Borrower in any Subsidiary;

(i) Joint ventures or strategic alliances, provided that any cash Investments by Borrower do not exceed One Million Dollars (\$1,000,000) in the aggregate in any fiscal year;

(j) Investments which Borrower is required by one or more Governmental Authorities to make; and

(k) Investments permitted under Section 7.3.

“ **Permitted Liens** ” means the following:

(a) Any Liens existing on the Closing Date and disclosed in the Schedule (excluding Liens to be satisfied with the proceeds of the Credit Extensions) or arising under this Agreement, the other Loan Documents, or any other agreement in favor of Administrative Agent for itself and on behalf of the Lenders;

(b) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings and for which Borrower maintains adequate reserves;

(c) Liens not to exceed One Million Dollars (\$1,000,000) in the aggregate at any time (1) upon or in any Equipment (other than Equipment financed by a Credit Extension) acquired or held by Borrower or any of its Subsidiaries to secure the purchase price of such Equipment or indebtedness incurred solely for the purpose of financing the acquisition or lease of such Equipment, or (1) existing on such Equipment at the time of its acquisition, in each case provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such Equipment;

(d) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (a) through (c) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase;

(e) Liens of materialmen, mechanics, warehousemen, carriers, artisans or other similar Liens arising in the ordinary course of Borrower's business or by operation of law, which are not past due or which are being contested in good faith by appropriate proceedings and for which reserves have been established in accordance with GAAP;

(f) Deposits in the ordinary course of business under workers' compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure indemnity, performance or other similar bonds for the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure statutory obligations (other than liens arising under ERISA or environmental liens) or surety or appeal bonds, or to secure indemnity, performance or other similar bonds;

(g) Liens in favor of other financial institutions arising in connection with Borrower's deposit accounts held at such institutions which are permitted by Section 6.6 hereof to secure standard fees for deposit services charged by, but not financing made available by such institutions, provided that Administrative Agent has a perfected security interest in the amounts held in such deposit accounts (other than the Trust Accounts);

(h) Liens securing Subordinated Debt;

(i) deposits to secure the performance of real property leases incurred in the ordinary course of business and not representing an obligation for borrowed money so long as each such deposit: (i) is made at the commencement of a lease or its renewal when there is no underlying default under such lease, and (ii) is in an amount not exceeding One Million Dollars (\$1,000,000) in the aggregate for all such leases; and

(j) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Sections 8.4 or 8.7.

“ **Permitted Transfer** ” means the conveyance, sale, lease, transfer or disposition by Borrower or any Subsidiary of:

(a) Inventory in the ordinary course of business;

(b) licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business;

(c) worn-out, surplus or obsolete Equipment;

(d) cash to accounts at financial institutions permitted by Section 6.6 hereof;

(e) grants of security interests and other Liens that constitute Permitted Liens; and

(f) other assets of Borrower or its Subsidiaries that do not in the aggregate exceed One Million Dollars (\$1,000,000) during any fiscal year.

“ **Person** ” means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

“ **Prime Rate** ” means the greater of (a) three and one half percent (3.5%) or (b) the variable rate of interest, per annum, most recently announced by Administrative Agent, as its “prime rate,” whether or not such announced rate is the lowest rate available from Administrative Agent.

“ **Protective Overadvance** ” as defined in Section 2.4(b).

“ **Recipient** ” means the Administrative Agent or a Lender, as applicable.

“ **Register** ” is defined in Section 13.1(c).

“ **Related Parties** ” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“ **Removal Effective Date** ” is defined in Section 10.9.

“ **Replacement Lender** ” is defined in Section 2.13.

“ **Required Lenders** ” means, at any time, (a) if only one (1) Lender holds the outstanding Commitments, such Lender; and (b) if more than one (1) Lender holds the outstanding Commitments, then at least two (2) Lenders who hold more than sixty-seven percent (67%) of the sum of the Total Revolving Commitments, then in effect or, if the Total Revolving Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding; provided that for the purposes of this clause (b) the Commitments of, and the portion of the Loans and participations in LC Exposure and Ancillary Services held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders; provided, further that a Lender and its Affiliates shall be deemed one Lender.

“ **Requirement of Law** ” means as to any Person, the Operating Documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“ **Resignation Effective Date** ” is defined in Section 10.9(a).

“ **Responsible Officer** ” means each of the Chief Executive Officer, the Chief Administrative Officer, the Chief Financial Officer, Vice President of Finance and the Controller of Borrower, as well as any other officer or employee identified as an Authorized Officer in the corporate resolution delivered by Borrower to Administrative Agent in connection with this Agreement.

“ **Revenue** ” means revenue recognized in accordance with GAAP.

“ **Revolving Commitment** ” means as to any Lender, the obligation of such Lender, if any, to make Advances, issue Letters of Credit, and provide Ancillary Services in an aggregate principal amount not to exceed the amount set forth under the heading “Revolving Commitment” opposite such Lender’s name on Schedule 1.1 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as the same may be changed from time to time pursuant to the terms hereof (including in connection with assignments permitted hereunder).

“ **Revolving Commitment Period** ” means the period from and including the Closing Date to the Revolving Maturity Date.

“ **Revolving Facility** ” means the credit facility made available to Borrower pursuant to Section 2.1(b).

“ **Revolving Line** ” means a Credit Extension of up to Thirty Million Dollars (\$30,000,000) (inclusive of any amounts outstanding under the LC and Ancillary Services Sublimit).

“ **Revolving Loan** ” means a loan made pursuant to Section 2.1(b) by a Lender.

“ **Revolving Loan Note** ” means a promissory note in the form of Exhibit F, as it may be amended, supplemented or otherwise modified from time to time.

“ **Revolving Maturity Date** ” means December 16, 2018; provided, however, the Revolving Maturity Date shall be automatically renewed for one additional twelve (12)-month period, unless Administrative Agent provides Borrower with written notice that it will not extend the Revolving Maturity Date no later than eleven (11) months prior to current Revolving Maturity Date.

“ **Revolving Percentage** ” means as to any Lender at any time, the percentage which such Lender’s Revolving Commitment then constitutes of the Total Revolving Commitments or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender’s Advances then outstanding constitutes of the aggregate principal amount of all Advances then outstanding; provided that in the event that the Advances are paid in full prior to the reduction to Zero Dollars (\$0) of the Total Revolving Commitments, the Revolving Percentages shall be determined in a manner designed to ensure that the other outstanding Advances shall be held by the Lenders on a comparable basis.

“ **Sanctions** ” is defined in Section 5.17.

“ **Schedule** ” means the schedule of exceptions and disclosures attached hereto and approved by Administrative Agent, if any.

“ **Shares** ” means (i) sixty-five percent (65%) of the issued and outstanding capital stock, membership units or other securities owned or held of record by Borrower in Wyndham, and (ii) one hundred percent (100%) of the issued and outstanding capital stock, membership units or other securities owned or held of record by Borrower in APIC and Trupanion Brokers.

“ **SOS Reports** ” means the official reports from the Secretaries of State of each Collateral State, the state where Borrower’s chief executive office is located, the state of Borrower’s formation and other applicable federal, state or local government offices identifying all current security interests filed in the Collateral and Liens of record as of the date of such report.

“ **Subordinated Debt** ” means any debt incurred by Borrower that is subordinated in writing to the debt owing by Borrower to Lenders on terms reasonably acceptable to Administrative Agent (and identified as being such by Borrower and Administrative Agent).

“ **Subsidiary** ” means any corporation, partnership or limited liability company or joint venture in which (i) any general partnership or managing member interest or (ii) more than fifty percent (50%) of the stock, limited liability company interest or joint venture of which by the terms thereof ordinary voting power to elect the Board of Directors, managers or trustees of the entity, at the time as of which any determination is being made, is owned by Borrower, either directly or through an Affiliate.

“ **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.

“ **Total Revolving Commitments** ” means at any time, the aggregate amount of the Revolving Commitments then in effect.

“ **Trade Date** ” is defined in Section 13.1(b).

“ **Trademarks** ” means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

“ **Transfer** ” is defined in Section 7.1.

“ **Trupanion** ” is defined in the preamble hereof.

“ **Trupanion Brokers** ” is Trupanion Brokers Ontario, Inc., which is a Subsidiary.

“ **Trupanion Managers** ” is defined in the preamble hereof.

“ **Trust Accounts** ” means cash, cash equivalents, and other assets and investments held in trust for the benefit of insurers and policyholders by either Trupanion Managers, Trupanion Brokers or Wyndham.

“ **U.S. Tax Compliance Certificate** ” is defined in Section 2.11(f)(ii)(B).

“ **WAB** ” means Western Alliance Bank, an Arizona corporation.

“ **WICL Segregated Account** ” means WICL Segregated Account AX, a segregated cell organized under the laws of Bermuda.

“ **Withholding Agent** ” means, as applicable, any applicable Loan Party and the Administrative Agent, as the context may require.

“ **Write-Down and Conversion Powers** ” means with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

“ **Wyndham** ” means Wyndham Insurance Company (SAC) Ltd., a Bermuda exempted company, which is a Subsidiary of Borrower, acting in respect of its segregated account ‘AX’.

“ **Wyndham Pledge Agreement** ” is that certain Charge Over Shares by and among Trupanion, Administrative Agent, and Wyndham, as the same may be amended, modified, supplemented or restated from time to time.

1.2. Accounting Terms . Any accounting term not specifically defined in Section 1.1 shall be construed in accordance with GAAP and all calculations shall be made in accordance with GAAP (except for non-compliance with FAS 123R in monthly reporting). The term “financial statements” shall include the accompanying notes and schedules.

1.3. Terms Generally . The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “law” shall

be construed as referring to all statutes, rules, regulations, codes and other laws (including official rulings and interpretations thereunder having the force of law or with which affected Persons customarily comply) and all judgments, orders and decrees of all Governmental Authorities. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (1) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (1) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (1) any reference herein to any Person shall be construed to include such Person’s successors and assigns (subject to any restrictions on assignments set forth herein) and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (1) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (1) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (1) any reference in any definition to the phrase “at any time” or “for any period” shall refer to the same time or period for all calculations or determinations within such definition, and (1) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

2. LOAN AND TERMS OF PAYMENT.

2.1. Credit Extensions.

(a) Promise to Pay. Borrower promises to pay to Lenders, in lawful money of the United States of America, the aggregate unpaid principal amount of all Credit Extensions made by Lenders to Borrower, together with interest on the unpaid principal amount of such Credit Extensions at rates in accordance with the terms hereof.

(b) Advances Under Revolving Line.

(i) Amount. Subject to and upon the terms and conditions of this Agreement, each Lender severally (and not jointly) agrees to make Advances to Borrower from time to time during the Revolving Commitment Period up to an amount not to exceed such Lender’s Revolving Commitment and in an aggregate outstanding principal amount not to exceed the Availability Amount, and amounts borrowed pursuant to this Section 2.1(b) may be repaid and reborrowed at any time prior to the Revolving Maturity Date, at which time all Advances under this Section 2.1(b) shall be immediately due and payable. Borrower may prepay any Advances without penalty or premium. All Advances shall be used by Borrower for working capital, provided that the initial Advance shall be used to repay all outstanding indebtedness of Borrower to PWB as of the Closing Date, including unpaid legal fees and expenses. PWB has no commitment or obligation to lend any further funds to Borrower under the Existing Loan Facility and all unfunded commitments under the Existing Loan Facility are terminated.

(ii) Form of Request. Whenever Borrower desires an Advance, Borrower will notify Administrative Agent by facsimile transmission, telephone or email no later than

3:30 p.m. Eastern time (2:30 p.m. Eastern time for wire transfers) on the Business Day prior to the Business Day that the Advance is to be made. Each such notification shall be promptly confirmed by a Loan Advance/Paydown Request Form in substantially the form of Exhibit B (A “ **Payment Advance Form** ”). Upon each such notification from Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender shall make each Revolving Loan to be made by such Lender hereunder on the funding date requested by Borrower solely by wire transfer of immediately available funds by 12:00 p.m., Eastern time, to the Funding Office in an amount equal to such Lender’s Revolving Percentage. Such borrowing will then be made available to Borrower by the Administrative Agent crediting such account as is designated in writing to the Administrative Agent by Borrower with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent. Administrative Agent is authorized to make Advances under this Agreement, based upon instructions received from an Authorized Officer, or without instructions and on behalf of the Lenders if in Administrative Agent’s discretion such Advances are necessary to meet Obligations which have become due and remain unpaid. Administrative Agent shall be entitled to rely on any telephonic or email notice given by a person whom Administrative Agent reasonably believes to be an Authorized Officer or a designee thereof, and Borrower shall indemnify and hold Administrative Agent harmless for any damages, loss, costs and expenses suffered by Administrative Agent as a result of such reliance. Administrative Agent will credit the amount of Advances made under this Section 2.1(b) to Borrower’s deposit account.

2.2. Ancillary Services.

(a) General. Subject to the availability under the Revolving Line, at any time and from time to time from the date hereof through the Business Day immediately prior to the Revolving Maturity Date, Borrower may request the provision of Ancillary Services from PWB. The aggregate limit of the Ancillary Services shall not exceed the LC and Ancillary Services Sublimit, provided that availability under the Revolving Line shall be reduced by the aggregate limits of (i) corporate credit card services provided to Borrower, (ii) the total amount of any Automated Clearing House processing reserves, (iii) the applicable Foreign Exchange Reserve Percentage, and (iv) any other reserves taken by PWB in connection with other treasury management services requested by Borrower and approved by PWB. In addition, PWB may, in its sole discretion, charge as Advances any amounts for which PWB becomes liable to third parties in connection with the provision of the Ancillary Services. The terms and conditions (including repayment and fees) of such Ancillary Services shall be subject to the terms and conditions of the PWB’s standard forms of application and agreement for the applicable Ancillary Services, which Borrower hereby agrees to execute.

(b) Participations. PWB hereby grants to each Lender, and each Lender hereby acquires from PWB, a participation in such Ancillary Services equal to such Lender’s Revolving Percentage of the aggregate amount provided under the Ancillary Services. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of PWB, such Lender’s Revolving Percentage of the Ancillary Services provided by PWB. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of the Ancillary Services is absolute and unconditional and shall not be affected by any circumstance whatsoever, including continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(c) Reimbursement. If the Borrower fails to make any payment when due in connection with its obligations under the Ancillary Services, the Administrative Agent shall notify each Lender of the applicable Ancillary Services, the payment then due from the Borrower in respect thereof, and such Lender's Revolving Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Revolving Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.9 with respect to Loans made by such Lender (and Section 2.9 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to PWB the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to PWB or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse PWB, then to such Lenders and PWB, as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse PWB for any such Ancillary Services (other than the funding of an Advance under the Revolving Loans as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such Ancillary Services.

(d) Collateralization of Obligations Extending Beyond Maturity. If Borrower has not secured to Administrative Agent's satisfaction its obligations with respect to any Ancillary Services by the Revolving Maturity Date, then, effective as of such date, the balance in any deposit accounts held by Administrative Agent and the certificates of deposit or time deposit accounts issued by Administrative Agent in Borrower's name (and any interest paid thereon or proceeds thereof, including any amounts payable upon the maturity or liquidation of such certificates or accounts), shall automatically secure such obligations to the extent of the then continuing or outstanding Ancillary Services. Borrower authorizes Administrative Agent to hold such balances in pledge and to decline to honor any drafts thereon or any requests by Borrower or any other Person to pay or otherwise transfer any part of such balances for so long as the applicable Ancillary Services are outstanding or continue.

2.3. Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein and the availability under the Revolving Line, the Borrower may request as part of the Revolving Line, and the Issuing Bank will, in its sole and absolute discretion, determine whether to issue Letters of Credit denominated in dollars as the applicant thereof for the support of the obligations of any Borrower or any Subsidiary thereof, in a form acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. Any outstanding Letters of Credit issued by PWB prior to the Closing Date shall from and after the Closing Date be considered Letters of Credit issued under this Agreement. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Borrower unconditionally and irrevocably agrees that, in connection with any Letter of Credit issued for the support of any Subsidiary's obligations as provided in the first sentence of this paragraph, Borrower will be fully responsible for the reimbursement of LC Disbursements in accordance with the terms hereof, the payment of interest thereon and the payment of fees due under Section 2.7 to the same extent as if it were the sole account party in respect of such Letter of Credit (Borrower hereby irrevocably waiving

any defenses that might otherwise be available to it as a guarantor or surety of the obligations of such Subsidiary that is an account party in respect of any such Letter of Credit). Notwithstanding anything herein to the contrary, the Issuing Bank shall have no obligation hereunder to issue, and shall not issue, any Letter of Credit (1) the proceeds of which would be made available to any Person (A) to fund any activity or business of or with any Sanctioned Person, or in any country or territory that, at the time of such funding, is the subject of any Sanctions or (B) in any manner that would result in a violation of any Sanctions by any party to this Agreement, (2) if any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Issuing Bank from issuing such Letter of Credit, or any Requirement of Law relating to the Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Issuing Bank shall prohibit, or request that the Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Bank is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Issuing Bank in good faith deems material to it, or (3) if the issuance of such Letter of Credit would violate one or more policies of the Issuing Bank applicable to letters of credit generally; provided that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements or directives thereunder or issued in connection therewith or in the implementation thereof, and (y) all requests, rules, guidelines, requirements 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 not to be in effect on the Closing Date for purposes of clause (2) above, regardless of the date enacted, adopted, issued or implemented.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or fax to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension, but in any event no less than three (3) Business Days) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (b) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof, and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the applicable Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrowers shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (1) the LC Exposure shall not exceed the LC and Ancillary Services Sublimit and (2) the aggregate amount of the outstanding Advances shall not exceed the Availability Amount. Availability under the Revolving Line shall be reduced by the aggregate limits of any outstanding and undrawn amounts under all Letters of Credit issued hereunder.

(c) Expiration Date. Each Letter of Credit shall expire (or be subject to termination or non-renewal by notice from the Issuing Bank to the beneficiary thereof) at or prior to the close of business on the earlier of (1) the date one (1) year after the date of the issuance of such

Letter of Credit (or, in the case of any renewal or extension thereof, including, without limitation, any automatic renewal provision, one (1) year after such renewal or extension) and (2) the date that is five (5) Business Days prior to the Revolving Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Revolving Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Revolving Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in 2.2(d), or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 11:00 a.m., Eastern time, on (1) the Business Day that the Borrower receives notice of such LC Disbursement, if such notice is received prior to 9:00 a.m., Eastern time, on the day of receipt, or (2) the Business Day immediately following the day that the Borrower receives such notice, if such notice is received after 9:00 a.m., Eastern time, on the day of receipt; provided that the Borrower may, subject to the conditions to borrowing set forth herein, request that such payment be financed with an Advance under the Revolving Line in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting Advance. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof, and such Lender's Revolving Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Revolving Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.9 with respect to Loans made by such Lender (and Section 2.9 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank, as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of an Advance under the Revolving Loans as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in Section 2.2(d) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of any (1) lack of validity or enforceability of any Letter of Credit or this

Agreement, or any term or provision therein or herein, (2) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (3) any payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (4) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. None of the Administrative Agent, the Lenders or the Issuing Bank, or any of their Affiliates, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit, or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by fax) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburse such LC Disbursement, at the rate per annum then applicable to Revolving Loans and such interest shall be due and payable on the date when such reimbursement is due; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to Section 2.2(d), then interest shall accrue at the default rate pursuant to Section 2.5(b). Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to Section 2.2(d) to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank.

(i) The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank. From and after the effective date of any such replacement, (A) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (B) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit then outstanding and issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(ii) Subject to the appointment and acceptance of a successor Issuing Bank, the Issuing Bank may resign as an Issuing Bank at any time upon thirty (30) days' prior written notice to the Administrative Agent, the Borrower and the Lenders, in which case, such Issuing Bank shall be replaced in accordance with subsection (i) above.

(j) Cash Collateralization. If any Default shall occur and be continuing or if any Letter of Credit is outstanding on the Revolving Maturity Date, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders (the "**LC Collateral Account**"), an amount in cash equal to one hundred five percent (105%) of the amount of the LC Exposure as of such date plus accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to Borrower described in clause Section 8.5. Each such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over the LC Collateral Account and the Borrower hereby grants the Administrative Agent a security interest in the LC Collateral Account and all moneys or other assets on deposit therein or credited thereto. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated, be applied to satisfy other Obligations. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of a Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three (3) Business Days after all such Defaults have been cured or waived as confirmed in writing by the Administrative Agent.

(k) LC Exposure Determination. For all purposes of this Agreement, the amount of a Letter of Credit that, by its terms or the terms of any document related thereto, provides for one or more automatic increases in the stated amount thereof shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at the time of determination.

2.4. Overadvances; Protective Overadvances .

(a) If the aggregate amount of the outstanding Advances (including the then existing LC Exposure and any amounts outstanding under the Ancillary Services) exceeds the lesser of the Revolving Line or the Borrowing Base at any time (an “**Overadvance**”), Borrower shall immediately pay to Administrative Agent, in cash, the amount of such excess, to be applied by the Administrative Agent to repay the Overadvance.

(b) Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent, in its sole discretion, may make Advances to the Borrower on behalf of the Lenders, so long as the aggregate amount of such Advances shall not exceed the lesser of (y) five percent (5%) of the Borrowing Base (if then applicable) and (z) five percent (5%) of the Revolving Commitments, if the Administrative Agent, in its reasonable credit judgment, deems that such Advances are necessary or desirable (i) to protect all or any portion of the Collateral, (ii) to enhance the likelihood or maximize the amount of repayment of the Loans and the other Obligations, or (iii) to pay any other amount chargeable to the Borrower pursuant to this Agreement (such Advances, “**Protective Overadvances**”); provided that (A) in no event shall the total Advances exceed the amount of the Total Revolving Commitments then in effect and (B) the Borrower shall repay each Protective Overadvance on the date which is the earlier of (y) the third (3rd) day after the date of incurrence of such Protective Overadvance or (z) the date the Required Lenders provide notice to the Administrative Agent and the Borrower requiring the Borrower to repay such Protective Overadvance. Each applicable Lender shall be obligated to advance to the Borrower in its Revolving Percentage of each Protective Overadvance made in accordance with this Section 2.4(b). If the Protective Overadvances are made in accordance with the preceding sentence, then all Lenders shall be bound to make, or permit to remain outstanding, such Protective Overadvances based upon their Revolving Percentages in accordance with the terms of this Agreement. The Required Lenders may at any time revoke the Administrative Agent’s authorization to make future Protective Overadvances (provided that any existing Protective Overadvances shall not be subject to such revocation and any such revocation must be in writing and shall become effective prospectively upon the Administrative Agent’s receipt thereof). All Protective Overadvances shall be secured by the Collateral and shall bear interest as provided in this Agreement for Revolving Loans generally.

2.5. Interest Rates, Payments, and Calculations.

(a) Interest Rates. Except as set forth in Section 2.5(b), the Advances shall bear interest, on the outstanding daily balance thereof, at a variable annual rate equal to the greater of (A) one and one quarter of one percent (1.25%) above the Prime Rate then in effect, or (B) four and one half of one percent (4.50%).

(b) Late Fee; Default Rate. If any payment required pursuant to this Agreement is not made within ten (10) days after the date such payment is due, Borrower shall pay Administrative Agent for the accounts of the Lenders a late fee equal to the lesser of (i) five percent

(5%) of the amount of such unpaid amount or (ii) the maximum amount permitted to be charged under applicable law. All Obligations shall bear interest, from and after the occurrence and during the continuance of an Event of Default, at a rate equal to five percent (5%) above the interest rate applicable immediately prior to the occurrence of the Event of Default.

(c) Payments. Interest under the Revolving Line shall be due and payable on the first (1st) calendar day of each month during the term hereof. Administrative Agent shall, at its option, charge such interest, all Administrative Agent Expenses, and all Periodic Payments against any of Borrower's deposit accounts or against the Revolving Line, in which case those amounts shall thereafter accrue interest at the rate then applicable hereunder. Any interest not paid when due shall be compounded by becoming a part of the Obligations, and such interest shall thereafter accrue interest at the rate then applicable hereunder.

(d) Computation. In the event the Prime Rate is changed from time to time hereafter, the applicable rate of interest hereunder shall be increased or decreased, effective as of the day the Prime Rate is changed, by an amount equal to such change in the Prime Rate. All interest chargeable under the Loan Documents shall be computed on the basis of a three hundred sixty (360)-day year for the actual number of days elapsed.

2.6. Crediting Payments. Prior to the occurrence of an Event of Default, Administrative Agent shall credit a wire transfer of funds, check or other item of payment to such deposit account or Obligation as Borrower specifies. After the occurrence and during the continuance of an Event of Default, Administrative Agent shall have the right, in its sole discretion, to immediately apply any wire transfer of funds, check, or other item of payment Administrative Agent may receive to conditionally reduce Obligations, but such applications of funds shall not be considered a payment on account unless such payment is of immediately available federal funds or unless and until such check or other item of payment is honored when presented for payment. Notwithstanding anything to the contrary contained herein, any wire transfer or payment received by Administrative Agent after 5:30 p.m. Eastern time shall be deemed to have been received by Administrative Agent as of the opening of business on the immediately following Business Day. Whenever any payment to Administrative Agent under the Loan Documents would otherwise be due (except by reason of acceleration) on a date that is not a Business Day, such payment shall instead be due on the next Business Day, and additional fees or interest, as the case may be, shall accrue and be payable for the period of such extension.

2.7. Fees. Borrower shall pay to Administrative Agent, unless otherwise provided below, and for the benefit of each of the Lenders the following non-refundable fees:

(a) Facility Fee. Borrower shall pay to (i) the Administrative Agent on or before the Closing Date a facility fee in the amount of Forty Thousand Dollars (\$40,000) and (ii) WAB a facility fee in the amount and on the dates set forth in the Fee Letter;

(b) Letter of Credit Fees. At the time of issuance, renewal or amendment of each Letter of Credit, Borrower shall pay the Administrative Agent for the ratable benefit of the Lenders its standard letter of credit fees then in effect.

(c) Unused Fee. A fee equal to one quarter of one percent (0.25%) of the difference between the Revolving Line and the average amount advanced under the Revolving Line during the term hereof, paid quarterly in arrears on an annualized basis, which shall be nonrefundable; and

(d) Administrative Agent Expenses. On the Closing Date, all Administrative Agent Expenses incurred through the Closing Date in an amount not to exceed \$100,000, and, after the Closing Date, all Administrative Agent Expenses, as and when they become due.

2.8. Term. This Agreement shall become effective on the Closing Date and, subject to Section 13.8, shall continue in full force and effect for so long as any Obligations remain outstanding or any Lenders have any obligation to make Credit Extensions under this Agreement. Notwithstanding the foregoing, Administrative Agent shall have the right to terminate any obligation to make Credit Extensions under this Agreement immediately and without notice upon the occurrence and during the continuance of an Event of Default.

2.9. Pro Rata Treatment and Payments.

(a) Each borrowing by Borrower from the Lenders hereunder, each payment by Borrower on account of any commitment fee or any fee in connection with the Ancillary Services, and any reduction of the Revolving Commitments shall be made pro rata according to the respective Revolving Percentages of the relevant Lenders.

(b) Each payment (including prepayments) by Borrower on account of principal of and interest on the Revolving Line shall be made in accordance with each Lender's Revolving Percentage of the outstanding principal amounts of the Advances of the Lenders.

(c) All payments (including prepayments) to be made by Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff and shall be made prior to 5:30 p.m. Eastern time on the due date thereof to the Administrative Agent, for the account of the Lenders, at the applicable Funding Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. Any payment received by the Administrative Agent after 5:30 p.m. Eastern time shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. In the case of any extension of any payment of principal, interest thereon shall be payable at the then applicable rate during such extension.

(d) Unless the Administrative Agent shall have been notified in writing by any Lender prior to the proposed date of any borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date in accordance with Section 2, and the Administrative Agent may, in reliance upon such assumption, make available to Borrower a corresponding amount. If such amount is not in fact made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender and Borrower severally agree to pay to the Administrative Agent forthwith, on demand, such corresponding amount with interest thereon, for each day from and including the date on which such amount is made available to Borrower but excluding the date of payment to the Administrative Agent, at (i) in the case of a payment to be made by such Lender, a rate equal to the greater of (A) the Federal Funds Effective Rate and (B) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, and (ii) in the case of a payment to be made by Borrower, the rate per annum applicable to the Revolving Line. If Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent

shall promptly remit to Borrower the amount of such interest paid by Borrower for such period. If such Lender pays its share of the applicable borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Advances included in such borrowing. Any payment by Borrower shall be without prejudice to any claim Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(e) Unless the Administrative Agent shall have received notice from Borrower prior to the proposed date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that Borrower will not make such payment, the Administrative Agent may assume that Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders, the amount due. In such event, if Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. Nothing herein shall be deemed to limit the rights of Administrative Agent or any Lender against any Loan Party.

(f) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Section, and such funds are not made available to Borrower by the Administrative Agent because the conditions to the applicable extension of credit set forth in Section 3.1 or Section 3.2 are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(g) The obligations of the Lenders hereunder to (i) make Advances and (ii) to make payments pursuant to Section 10.7, as applicable, are several and not joint. The failure of any Lender to make any such Loan, to fund any such participation or to make any such payment under Section 10.7 on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 10.7.

(h) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(i) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, to pay Administrative Agent Expenses, (ii) second, to pay any fees or expense reimbursements then due to the Lenders from the Borrower, (iii) third, toward payment of interest and fees, Overadvances then due hereunder, ratably among the parties entitled thereto in accordance with their Revolving Percentages, the amounts of interest and fees, Overadvances then due to such parties, (iv) fourth, toward payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with their Revolving Percentages, (v) fifth, to pay an amount to the Administrative Agent equal to one hundred five percent (105%) of the aggregate LC Exposure, to be held as cash collateral for such Obligations, (vi) sixth, to pay an amount to the Administrative Agent equal to one hundred percent (100%) of outstanding amounts under the Ancillary Services, and (vii) seventh, to the payment of any other Obligation due to the Administrative Agent or any Lender from the Borrower or any other Loan Party.

(j) If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the principal of or interest on any Loan made by it or other obligations hereunder, as applicable (other than pursuant to a provision hereof providing for non-pro rata treatment), in excess of its Revolving Percentage of such payment on account of the Loans or participations obtained by all of the Lenders, such Lender shall (a) notify the Administrative Agent of the receipt of such payment, and (b) within five (5) Business Days of such receipt, purchase (for cash at face value) from the other Lenders (through the Administrative Agent), without recourse, such participations in the Revolving Line made by them, or make such other adjustments as shall be equitable, as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of the other Lenders in accordance with their respective Revolving Percentages; provided, however, that if all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest. Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section may exercise all of its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of Borrower in the amount of such participation. No documentation other than notices and the like referred to in this Section shall be required to implement the terms of this Section. The Administrative Agent shall keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased pursuant to this Section and shall in each case notify the Lenders following any such purchase. The provisions of this Section shall not be construed to apply to (i) any payment made by or on behalf of Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), (ii) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than an assignment to Borrower or any Affiliate thereof (as to which the provisions of this Section shall apply). Borrower consents on behalf of itself and each other Loan Party to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of each Loan Party in the amount of such participation.

(k) Any proceeds of Collateral received by the Administrative Agent (1) not constituting a specific payment of principal, interest, fees or other sum payable under the Loan Documents (which, subject to the restrictions set forth in subsection (i) of this Section, shall be applied as specified by the Borrower) or (2) after an Event of Default has occurred and is continuing and the Administrative Agent so elects or the Required Lenders so direct, shall be applied ratably (i) first, to pay Administrative Agent Expenses, (ii) second, to pay any fees or expense reimbursements then due to the Lenders from the Borrower, (iii) third, to pay interest then due and payable on the Loans ratably, (iv) fourth, to prepay principal on the Loans and unreimbursed LC Disbursements, (v) fifth, to pay an amount to the Administrative Agent equal to one hundred five percent (105%) of the aggregate LC Exposure, to be held as cash collateral for such Obligations, (vi) sixth, to pay an amount to the Administrative Agent equal to one hundred percent (100%) of outstanding amounts under the Ancillary Services, and (vii) seventh, to the payment of any other Obligation due to the Administrative Agent or any Lender from the Borrower or any other Loan Party. The Administrative Agent and the Lenders shall have the continuing and exclusive right to apply and reverse and reapply any and all such proceeds and payments to any portion of the Obligations.

Notwithstanding anything to the contrary in this Agreement, the Administrative Agent may, in its discretion at any time or from time to time, without Borrower's request and even if the conditions set

forth in Section 3.2 would not be satisfied, make one or more Advances in an amount equal to the portion of the Obligations constituting overdue interest and fees from time to time due and payable to itself, or any Lender, and apply the proceeds of any such Advances to those Obligations; provided that after giving effect to any such Advances, the aggregate outstanding Advances will not exceed the Revolving Line then in effect.

2.10. Illegality; Requirements of Law.

(a) Requirements of Law. If the adoption of or any change in any Requirement of Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority, or the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority made subsequent to the date hereof:

(i) shall subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its Loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

(ii) shall impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of or credit extended or participated in by, any Lender; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender;

and the result of any of the foregoing is to increase the cost to such Lender or such other Recipient, or to reduce the amount of any sum receivable or received by such Lender or other Recipient hereunder in respect thereof (whether of principal, interest or any other amount), then, in any such case, upon the request of such Lender or other Recipient, Borrower will promptly pay such Lender or other Recipient, as the case may be, any additional amount or amounts necessary to compensate such Lender or other Recipient, as the case may be, for such additional costs incurred or reduction suffered. If any Lender becomes entitled to claim any additional amounts pursuant to this paragraph, it shall promptly notify Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender determines that any change in any Requirement of Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Revolving Commitments of such Lender or the Loans made by such Lender, to a level below that which such Lender could have achieved but for such change in such Requirement of Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time Borrower will pay to such Lender, such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) For purposes of this Agreement, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, or directives thereunder or issued in connection therewith, and (ii) 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 (i) and (ii) be deemed to be a change in any Requirement of Law, regardless of the date enacted, adopted or issued.

(d) A certificate as to any additional amounts payable pursuant to paragraphs (b) or (c) of this Section submitted by any Lender to Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. Borrower shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation. Notwithstanding anything to the contrary in this Section, Borrower shall not be required to compensate a Lender pursuant to this Section for any amounts incurred more than nine (9) months prior to the date that such Lender notifies Borrower of the change in the Requirement of Law giving rise to such increased costs or reductions, and of such Lender's intention to claim compensation therefor; provided that if the circumstances giving rise to such claim have a retroactive effect, then such nine (9)-month period shall be extended to include the period of such retroactive effect. The obligations of Borrower arising pursuant to this Section shall survive the Discharge of Obligations and the resignation of the Administrative Agent.

2.11. Taxes. For purposes of this Section the term "applicable law" includes FATCA.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law and Borrower shall, and shall cause each other Loan Party, to comply with the requirements set forth in this Section. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent 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 the applicable Loan Party 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) 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. Borrower shall, and shall cause each other Loan Party to, timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes applicable to such Loan Party.

(c) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section, Borrower shall, or shall cause such other Loan Party to, deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by Loan Parties. Borrower shall, and shall cause each other Loan Party to, jointly and severally indemnify each Recipient, within ten (10) days after 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) 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 (including any recording and filing fees with respect thereto or resulting therefrom and any liabilities with respect to, or resulting from, any delay in paying such Indemnified Taxes), 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 Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error. If any Loan Party fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, such Loan Party shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

(e) Indemnification by Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 13.1 relating to the maintenance of a Participant Register, and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such 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 any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this Section.

(f) 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 deliver to Borrower and the Administrative Agent, at the time or times reasonably requested by Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by Borrower or the Administrative Agent as will enable Borrower or the Administrative Agent 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 Sections 2.11(f)(ii)(A), 2.11(f)(ii)(B), and 2.11(f)(ii)(D)) below) shall not be required if the Lender is not legally entitled to complete, execute or deliver such documentation or, 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 Borrower and the Administrative Agent 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 Borrower or the Administrative Agent), executed copies of IRS Form W-9 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 Borrower and the Administrative Agent (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 Borrower or the Administrative Agent), 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 IRS Form W-8BEN-E, as applicable (or any 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 IRS Form W-8BEN-E, as applicable (or any 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 copies of IRS Form W-8ECI;

(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 E-1 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 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 copies of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or any successor form); or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or any successor form), a U.S. Tax Compliance Certificate substantially in the form of Exhibit E-2 or Exhibit E-3, IRS Form W-9, 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 substantially in the form of Exhibit E-4 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 Borrower and the Administrative Agent (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 Borrower or the Administrative Agent), executed copies 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 Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to

comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by Borrower or the Administrative Agent as may be necessary for Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iii) 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 Borrower and the Administrative Agent in writing of its legal inability to do so. Each Foreign Lender shall promptly notify Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Foreign Lender shall not be required to deliver any form pursuant to this paragraph that such Foreign Lender is not legally able to deliver.

(g) 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 (including by the payment of additional amounts pursuant to this Section), 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 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 Section (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, in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 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 Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph 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.

(h) Survival. Each party's obligations under this Section shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender and the Discharge of Obligations.

2.12. Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.10(a), Section 2.10(b), Section 2.11(a), or Section 2.11(d) with respect to such Lender, it will, if requested by Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate a different lending office for funding or booking its Loans affected by such event or to assign its rights and obligations hereunder

to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (1) would eliminate or reduce amounts payable pursuant to Sections 2.10 or 2.11, as the case may be, in the future, and (1) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender; provided that nothing in this Section shall affect or postpone any of the obligations of Borrower or the rights of any Lender pursuant to Section 2.10(a), Section 2.10(b), Section 2.11(a), or Section 2.11(d). Borrower hereby agrees to pay all reasonable and documented costs and expenses incurred by any Lender in connection with any such designation or assignment made at the request of Borrower.

2.13. Substitution of Lenders. Upon the receipt by Borrower of any of the following (or in the case of clause (a) below, if Borrower is required to pay any such amount), with respect to any Lender (any such Lender described in clauses (a) through (c) below being referred to as an “**Affected Lender**” hereunder):

(a) a request from a Lender for payment of Indemnified Taxes or additional amounts under Section 2.11 or of increased costs pursuant to Section 2.10 (and, in any such case, such Lender has declined or is unable to designate a different lending office in accordance with Section 2.12 or is a Non-Consenting Lender);

(b) a notice from the Administrative Agent under Section 13.5(b) that one or more Minority Lenders are unwilling to agree to an amendment or other modification approved by the Required Lenders and the Administrative Agent; or

(c) a notice from the Administrative Agent that a Lender is a Defaulting Lender;

then Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent and such Affected Lender: (i) request that one or more of the other Lenders acquire and assume all or part of such Affected Lender’s Loans and Commitments and all other Obligations owing to such Affected Lender; or (ii) designate a replacement lending institution (which shall be an Eligible Assignee) to acquire and assume all or a ratable part of such Affected Lender’s Loans and Revolving Commitments and all other Obligations owing to such Affected Lender (the replacing Lender or lender in (i) or (ii) being a “**Replacement Lender**”); provided, however, that Borrower shall be liable for the payment upon demand of all costs and other amounts arising as a result of the acquisition of any Affected Lender’s Loan and/or Commitment (or any portion thereof) by a Lender or Replacement Lender, as the case may be; and provided further, however, that if Borrower elects to exercise such right with respect to any Affected Lender under clause (a) or (b) of this Section, then Borrower shall be obligated to replace all Affected Lenders under such clauses. The Affected Lender replaced pursuant to this Section shall be required to assign and delegate, without recourse, all of its interests, rights and obligations under this Agreement and the related Loan Documents to one or more Replacement Lenders that so agree to acquire and assume all or a ratable part of such Affected Lender’s Loans and Revolving Commitments and all other Obligations owing to such Affected Lender upon payment to such Affected Lender of an amount (in the aggregate for all Replacement Lenders) equal to one hundred percent (100%) of the outstanding principal of the Affected Lender’s Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents from such Replacement Lenders (to the extent of such outstanding principal and accrued interest and fees) or Borrower (in the case of all other amounts). Any such designation of a Replacement Lender shall be effected in accordance with, and subject to the terms and conditions of, the assignment provisions contained in Section 13.1 (with the assignment fee to be paid by Borrower in such instance), and, if such Replacement Lender is

not already a Lender hereunder or an Affiliate of a Lender or an Approved Fund, shall be subject to the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld). Notwithstanding the foregoing, with respect to any assignment pursuant to this Section, (a) in the case of any such assignment resulting from a claim for compensation under Section 2.10 or payments required to be made pursuant to Section 2.11, such assignment shall result in a reduction in such compensation or payments thereafter; (b) such assignment shall not conflict with applicable law and (c) in the case of any assignment resulting from a Lender being a Minority Lender referred to in clause (b) of this Section, the applicable assignee shall have consented to the applicable amendment, waiver or consent. Notwithstanding the foregoing, an Affected Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Affected Lender or otherwise, the circumstances entitling Borrower to require such assignment and delegation cease to apply.

2.14. Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such 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 13.5 and in the definition of Required Lenders.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 8 or otherwise, and including any amounts made available to the Administrative Agent by such Defaulting Lender pursuant to Section 13.13), shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, as Borrower may request (so long as no Default or Event of 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, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; fourth, so long as no Default or Event of Default has occurred and is continuing, to the payment of any amounts owing to Borrower as a result of any judgment of a court of competent jurisdiction obtained by 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 3.2 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 until such time as all Loans are held by the Lenders pro rata in accordance with the Revolving Commitments under the applicable Facility. 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 or to post cash collateral pursuant to this Section shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. No Defaulting Lender shall be entitled to receive any fee pursuant to Section 2.7 for any period during which such Lender is a Defaulting Lender (and Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to such Defaulting Lender).

(b) Defaulting Lender Cure. If Borrower and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), such Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held on a pro rata basis by the Lenders in accordance with their respective Revolving Percentages, whereupon such 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 Borrower while such 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 such Lender having been a Defaulting Lender.

Termination of Defaulting Lender. Borrower may terminate the unused amount of the Revolving Commitment of any Lender that is a Defaulting Lender upon not less than ten (10) Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), and in such event the provisions of Section 2.14(a)(ii) will apply to all amounts thereafter paid by Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); provided that (i) no Event of Default shall have occurred and be continuing, and (ii) such termination shall not be deemed to be a waiver or release of any claim Borrower, the Administrative Agent, or any Lender may have against such Defaulting Lender.

2.15. Notes. If so requested by any Lender by written notice to the Borrower (with a copy to the Administrative Agent), the Borrower shall execute and deliver to such Lender (and/or, if applicable and if so specified in such notice, to any Person who is an assignee of such Lender pursuant to Section 13.1) promptly after the Borrower's receipt of such notice, a Note or Notes to evidence such Lender's Loans.

3. CONDITIONS OF LOANS.

3.1. Conditions Precedent to Closing . The agreement of Administrative Agent and Lenders to enter into this Agreement on the Closing Date is subject to the condition precedent that Administrative Agent shall have received, in form and substance satisfactory to Administrative Agent, each the following items and completed each of the following requirements:

- (a) this Agreement;
 - (b) the Loan Documents;
 - (c) officer's certificates of Borrower with respect to incumbency and resolutions authorizing the execution and delivery of this Agreement;
 - (d) financing statements (Form UCC-1);
 - (e) the certificates for the Shares, together with assignments separate from certificates, duly executed by the pledgor in blank;
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(f) payment of the fees and Administrative Agent Expenses then due specified in Section 2.7, which may be debited from any of Borrower's accounts with Administrative Agent;

(g) current SOS Reports indicating that except for Permitted Liens, there are no other security interests or Liens of record in the Collateral;

(h) current financial statements, including audited statements (or such other level required by the Investment Agreement) for Borrower's most recently ended fiscal year, together with an unqualified opinion, company-prepared consolidated and consolidating balance sheets, income statements and statements of cash flows for the most recently ended month in accordance with Section 6.2, and such other updated financial information as Administrative Agent may reasonably request;

(i) current Compliance Certificate in accordance with Section 6.2;

(j) a legal opinion of Borrower's counsel dated as of the Closing Date;

(k) evidence satisfactory to Administrative Agent that the insurance policies required by Section 6.5 hereof are in full force and effect, together with appropriate evidence showing loss payable and additional insured clauses or endorsements in favor of Administrative Agent,

(l) the Borrower Information Certificate of each Borrower;

(m) an audit of the Collateral, the results of which shall be satisfactory to Administrative Agent;

(n) such other documents or certificates, and completion of such other matters, as Administrative Agent may reasonably request.

3.2. Conditions Precedent to all Credit Extensions . The obligation of Administrative Agent and Lenders to make each Credit Extension, including the initial Credit Extension, is contingent upon Borrower's compliance with Section 3.1 above, and is further subject to the following conditions:

(o) timely receipt by Administrative Agent of the Payment Advance Form as provided in Section 2.1;

(p) in Administrative Agent's sole but reasonable discretion, there has not been a Material Adverse Effect;

(q) the representations and warranties contained in Section 5 shall be true and correct in all material respects on and as of the date of such Payment Advance Loan Form and on the effective date of each Credit Extension as though made at and as of each such date, and no Event of Default shall have occurred and be continuing, or would exist after giving effect to such Credit Extension (provided, however, that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of such date). The making of each Credit Extension shall be deemed to be a representation and warranty by Borrower on the date of such Credit Extension as to the accuracy of the facts referred to in this Section 3.2.

3.3. Post-Closing Conditions . Borrower shall provide Bank with the following:

(r) Within thirty (30) days after the Closing Date, Borrower shall have delivered to Administrative Agent a control agreement for one or more accounts with WAB in form and substance reasonably satisfactory to Administrative Agent.

(s) Within sixty (60) days after the Closing Date, Borrower shall use commercially reasonable efforts to deliver to Administrative Agent a duly executed landlord waiver for Borrower's chief executive office located at 6100 4th Avenue S., Suite 200, Seattle, Washington 98108 in form and substance reasonably satisfactory to Administrative Agent.

(t) Within sixty (60) days after the Closing Date, Borrower shall have delivered to Administrative Agent a duly executed Wyndham Pledge Agreement in form and substance reasonably satisfactory to Administrative Agent.

(u) Within forty-five (45) days after the Closing Date, Borrower shall have delivered to Administrative Agent a duly executed (i) Unconditional Guaranty by Trupanion Brokers Ontario Inc., (ii) Security Agreement by Trupanion Brokers Ontario Inc., (iii) Unconditional Guaranty by Trupanion Canadian Shareholders Ltd., and (iv) Security Agreement by Trupanion Canadian Shareholders Ltd., in each case, as reasonably appropriate, in form and substance satisfactory to Administrative Agent.

4. CREATION OF SECURITY INTEREST.

4.1. Grant of Security Interest . Borrower grants and pledges to Administrative Agent on behalf of and for the ratable benefit of the Lenders a continuing security interest in the Collateral to secure prompt repayment of any and all Obligations and to secure prompt performance by Borrower of each of its covenants and duties under the Loan Documents. Except for Permitted Liens, such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and will constitute a valid, first priority security interest in later-acquired Collateral. Borrower also hereby agrees not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its Collateral. Notwithstanding any termination of this Agreement or of any filings undertaken related to Administrative Agent's and Lenders' rights under the Code, Administrative Agent's Lien on the Collateral on behalf of and for the ratable benefit of the Lenders shall remain in effect for so long as any Obligations are outstanding.

4.2. Perfection of Security Interest . Borrower authorizes Administrative Agent to file at any time financing statements, continuation statements, and amendments thereto that (1) either specifically describe the Collateral or describe the Collateral as all assets of Borrower of the kind pledged hereunder, and (1) contain any other information required by the Code for the sufficiency of filing office acceptance of any financing statement, continuation statement, or amendment, including whether Borrower is an organization, the type of organization, and any organizational identification number issued to Borrower, if applicable. Borrower shall have possession of the Collateral, except where expressly otherwise provided in this Agreement or where Administrative Agent chooses to perfect its and each Lender's security interest by possession in addition to the filing of a financing statement. Where Collateral is in possession of a third party bailee, Borrower shall take such steps as Administrative Agent reasonably requests for Administrative Agent to (1) subject to Section 7.11 below, obtain an acknowledgment, in form and substance satisfactory to Administrative Agent, of the bailee that the bailee holds such Collateral for the benefit of Administrative Agent, and (1) obtain "control" of any Collateral consisting of investment property, deposit accounts, letter-of-credit rights or electronic chattel paper (as such items and the term "control" are defined in Revised Article 9 of the Code) by causing the securities intermediary or depository institution or issuing bank to execute a control agreement in form and substance satisfactory to Administrative Agent. Borrower will not create any chattel paper without placing a legend on the chattel paper acceptable to Administrative Agent indicating that Administrative Agent for itself and for the benefit of the Lenders has a security interest in the chattel paper. Borrower from time to time may deposit with Administrative Agent specific cash collateral to secure specific Obligations; Borrower authorizes Administrative Agent to hold such specific balances in pledge and to decline to honor any drafts thereon or any request by Borrower or any other Person to

pay or otherwise transfer any part of such balances for so long as the specific Obligations are outstanding. Borrower shall take such other actions as Administrative Agent requests to perfect its security interests granted under this Agreement.

4.3. Pledge of Collateral . Borrower hereby pledges, assigns and grants to Administrative Agent on behalf of and for the ratable benefit of the Lenders a security interest in all the Shares, together with all proceeds and substitutions thereof, all cash, stock and other moneys and property paid thereon, all rights to subscribe for securities declared or granted in connection therewith, and all other cash and noncash proceeds of the foregoing, as security for the performance of the Obligations. On the Closing Date, the original certificate or certificates for the Shares will be delivered to Administrative Agent, accompanied by one or more instruments of assignment duly governing the Shares, Borrower shall cause the books of each entity whose Shares are part of the Collateral and any transfer agent to reflect the pledge of the Shares. Upon the occurrence of an Event of Default hereunder, Administrative Agent may effect the transfer of any securities included in the Collateral (including but not limited to the Shares) into the name of Administrative Agent and cause new certificates representing such securities to be issued in the name of Administrative Agent or its transferee. Unless an Event of Default shall have occurred and be continuing, Borrower shall be entitled to exercise any voting rights with respect to the Shares and to give consents, waivers and ratifications in respect thereof, provided that no vote shall be cast or consent, waiver or ratification given or action taken which would be inconsistent with any of the terms of this Agreement or which would constitute or create any violation of any of such terms. All such rights to vote and give consents, waivers and ratifications shall terminate upon the occurrence and continuance of an Event of Default.

5. REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants as follows:

5.1. Due Organization and Qualification . Each Loan Party is duly existing under the laws of the state in which it is organized and qualified and licensed to do business in any state in which the conduct of its business or its ownership of property requires that it be so qualified, except where the failure to do so would not reasonably be expected to cause a Material Adverse Effect.

5.2. Due Authorization; No Conflict . The execution, delivery, and performance of the Loan Documents are within each Loan Party's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in each Loan Party's Articles or Certificate of Incorporation or Bylaws, nor will they constitute an event of default under any material agreement by which any Loan Party is bound. No Loan Party is in default under any agreement by which it is bound, except to the extent such default would not reasonably be expected to cause a Material Adverse Effect.

5.3. Collateral . Borrower has rights in or the power to transfer the Collateral, and its title to the Collateral is free and clear of Liens, adverse claims, and restrictions on transfer or pledge except for Permitted Liens. Other than movable items of personal property such as laptop computers, all Collateral having an aggregate book value in excess of One Hundred Thousand Dollars (\$100,000) is located solely in the Collateral States. All Inventory is in all material respects of good and merchantable quality, free from all material defects, except for Inventory for which adequate reserves have been made. None of Borrower's Cash (other than Trust Accounts and to the extent allowed in

Section 6.6) is maintained or invested with a Person other than Administrative Agent or Administrative Agent's affiliates.

5.4. Intellectual Property Collateral . As of the date hereof or, if later, the most recent update to the Schedule in accordance with Section 6.8(b), Borrower's Intellectual Property Collateral is set forth on the Schedule. Borrower is the sole owner of the Intellectual Property Collateral, except for licenses granted by Borrower to its customers in the ordinary course of business. To the best of Borrower's knowledge, each of the Copyrights, Trademarks and Patents is valid and enforceable except to the extent such claim would not reasonably be expected to cause a Material Adverse Effect, and no part of the Intellectual Property Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made to Borrower that any part of the Intellectual Property Collateral violates the rights of any third party except to the extent such claim would not reasonably be expected to cause a Material Adverse Effect.

5.5. Name; Location of Chief Executive Office . Except as disclosed in the Schedule or as permitted pursuant to Section 6.1, Borrower has not done business under any name other than that specified on the signature page hereof, and its exact legal name is as set forth in the first paragraph of this Agreement. The chief executive office of Borrower is located at the address indicated in Section 11 hereof.

5.6. Litigation . There are no actions or proceedings pending by or against any Loan Party before any court or administrative agency in which an adverse decision is likely and would reasonably be expected to have a Material Adverse Effect.

5.7. No Material Adverse Change in Financial Statements . All consolidated and consolidating financial statements related to any Loan Party that are delivered by Borrower to Administrative Agent fairly present in all material respects Borrower's consolidated and consolidating financial condition as of the date thereof and Borrower's consolidated and consolidating results of operations for the period then ended. There has not been a material adverse change in the consolidated or in the consolidating financial condition of Borrower since the date of the most recent of such financial statements submitted to Administrative Agent.

5.8. Solvency, Payment of Debts . Borrower is able to pay its debts (including trade debts) as they mature; the fair saleable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; and Borrower is not left with unreasonably small capital after the transactions contemplated by this Agreement.

5.9. Compliance with Laws and Regulations . Borrower and each Subsidiary have met the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. No event has occurred resulting from Borrower's failure to comply with ERISA that is reasonably likely to result in Borrower's incurring any liability that could have a Material Adverse Effect. Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940. Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System). Borrower has not violated any statutes, laws, ordinances or rules applicable to it, the violation of which would reasonably be expected to have a Material Adverse

Effect. Borrower and each Subsidiary have filed or caused to be filed all tax returns required to be filed, and have paid, or have made adequate provision for the payment of, all taxes reflected therein except those being contested in good faith with adequate reserves under GAAP or where the failure to file such returns or pay such taxes would not reasonably be expected to have a Material Adverse Effect.

5.10. Subsidiaries . Borrower does not own any stock, partnership interest or other equity securities of any Person, except for Permitted Investments.

5.11. Government Consents . Each Loan Party has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all governmental authorities that are necessary for the continued operation of each Loan Party's business as currently conducted, except where the failure to do so would not reasonably be expected to cause a Material Adverse Effect.

5.12. Inbound Licenses . Borrower is not a party to, nor is bound by, any material license or other material agreement important for the conduct of Borrower's business that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such material license or material agreement or any other property important for the conduct of Borrower's business, other than this Agreement or the other Loan Documents.

5.13. Shares . Borrower has full power and authority to create a first lien on the Shares and no disability or Contractual Obligations exists that would prohibit Borrower from pledging the Shares pursuant to this Agreement. There are no subscriptions, warrants, rights of first refusal or other restrictions on transfer relative to, or options exercisable with respect to the Shares. The Shares have been and will remain duly authorized and validly issued, and are fully paid and non-assessable. To Borrower's knowledge, the Shares are not the subject of any present or threatened suit, action, arbitration, administrative or other proceeding, and Borrower knows of no reasonable grounds for the institution of any such proceedings.

5.14. Full Disclosure . No representation, warranty or other statement made by Borrower in any certificate or written statement furnished to Administrative Agent taken together with all such certificates and written statements furnished to Administrative Agent contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in such certificates or statements not misleading in light of the circumstances in which they were made, it being recognized by Administrative Agent that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not to be viewed as facts and that actual results during the period or periods covered by any such projections and forecasts may differ from the projected or forecasted results.

5.15. Labor Matters. Except as, in the aggregate, would not reasonably be expected to have a Material Adverse Effect: (1) there are no strikes or other labor disputes against any Group Member pending or, to the knowledge of the Borrower, threatened; (1) hours worked by and payment made to employees of each Group Member have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (1) all payments due from any Group Member on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the relevant Group Member.

5.16. Capitalization. The Schedule sets forth the beneficial owners of all Capital Stock of the Subsidiaries of the Borrower, and the amount of Capital Stock held by each such owner, as of the Closing Date.

5.17. OFAC; Sanctions, Etc . None of the Borrower, any of its Subsidiaries or, to the knowledge of the Borrower, any director, officer, employee, or controlled Affiliate of the Borrower or any of its Subsidiaries is a Person that is, or is owned or controlled by Persons that are: (i) the subject of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control (" **OFAC** "), the U.S. Department of State, or other relevant sanctions authority (collectively, " **Sanctions** "), or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions, including, without limitation Crimea, Cuba, Iran, North Korea, Sudan and Syria.

5.18. EEA Financial Institution . No Loan Party is an EEA Financial Institution.

6. AFFIRMATIVE COVENANTS.

Borrower covenants that, until payment in full of all outstanding Obligations, and for so long as Administrative Agent and the Lenders may have any commitment to make a Credit Extension hereunder, Borrower shall do all of the following:

6.1. Good Standing and Government Compliance . Each Loan Party shall maintain its corporate existence and, where applicable, good standing in the respective states of formation, shall maintain qualification and good standing in each other jurisdiction in which the failure to so qualify would reasonably be expected to have a Material Adverse Effect, and shall furnish to Administrative Agent the organizational identification number issued to Borrower by the authorities of the state in which Borrower is organized, if applicable. Each Loan Party shall meet the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. Each Loan Party and its Subsidiaries shall comply with all statutes, laws, ordinances and government rules and regulations to which it is subject, including regulations in connection with operating an insurance business, and shall maintain, and shall cause each other Loan Party to maintain, in force all licenses, approvals and agreements, the loss of which or failure to comply with which would reasonably be expected to have a Material Adverse Effect.

6.2. Financial Statements, Reports, Certificates .

(a) Borrower shall deliver to Administrative Agent: (i) as soon as available, but in any event within thirty (30) days after the end of each calendar month, a company-prepared consolidated and consolidating balance sheet and income statement, including a net worth reconciliation report and an accounting for maintenance of minimum, state-mandated capital requirements (when required), all in a form reasonably acceptable to Administrative Agent and certified by a Responsible Officer; (ii) as soon as available, but in any event within thirty (30) days after the end of each calendar quarter a consolidated statement of cash flows covering Borrower's operations during such period, including copies of account statements for any Cash not held by Administrative Agent, all in a form reasonably acceptable to Administrative Agent and certified by a Responsible Officer; (iii) as soon as available, but in any event within ninety (90) days after the end of Borrower's fiscal year, audited consolidated and consolidating financial statements of Borrower prepared in accordance with GAAP,

consistently applied, together with an opinion which is unqualified, qualified only for going concern as a result of the maturity of Loans hereunder, or otherwise consented to in writing by Administrative Agent on such financial statements of an independent certified public accounting firm reasonably acceptable to Administrative Agent; (iv) if applicable, copies of all statements, reports and notices sent or made available generally by Borrower to its security holders or to any holders of Subordinated Debt; (v) promptly upon receipt, each management letter prepared by Borrower's independent certified public accounting firm regarding Borrower's management control systems; (vi) such budgets, sales projections, operating plans or other financial information generally prepared by Borrower in the ordinary course of business as Administrative Agent may reasonably request from time to time, (vii) as soon as available, but in any event no later than the earlier of (A) thirty (30) days following the approval by Borrower's Board of Directors or (B) February 15 of each fiscal year of Borrower, a Board-approved, fully funded operating plan of Borrower for the then-current fiscal year of Borrower, which shall include, without limitation, monthly balance sheet, cash flow, and profit and loss projections, produced by Borrower for such fiscal year. Any financial statements or reports that are filed by Borrower on the EDGAR System of the Securities and Exchange Commission shall be deemed delivered to the Administrative Agent upon such filing.

(b) Within thirty (30) days after the last day of each month, Borrower shall deliver to Administrative Agent a (i) Borrowing Base Certificate calculated as of the last day of the applicable month and signed by a Responsible Officer in substantially the form of Exhibit C hereto; (ii) a report of twelve (12)-month average combined claims ratios and signed by a Responsible Officer; and (iii) a Compliance Certificate (which shall certify compliance with the covenants herein and all of the state governing body rules and regulations) certified as of the last day of the applicable quarter and signed by a Responsible Officer in substantially the form of Exhibit D hereto.

(c) Within forty-five (45) days after the last day of each calendar quarter, Trupanion shall deliver to Administrative Agent (i) copies of all quarterly statements as required by each state in which Borrower and its Subsidiaries conduct business which are submitted by Trupanion to the National Association of Insurance Commissioners and (ii) a report of twelve (12)-month average claims ratios by state signed by a Responsible Officer.

(d) Within sixty (60) days after the last day of each calendar year, Trupanion shall deliver to Administrative Agent copies of all annual statements submitted to the National Association of Insurance Commissioners as required by each state in which Borrower and its Subsidiaries conduct business.

(e) As soon as possible and in any event within three (3) calendar days after becoming aware of the occurrence or existence of an Event of Default hereunder, a written statement of a Responsible Officer setting forth details of the Event of Default, and the action which Borrower has taken or proposes to take with respect thereto.

(f) As soon as possible and in any event within three (3) calendar days after becoming aware of Borrower having a twelve (12)-month average combined Claims Ratio that falls in a variance that is ten percent (10%) or more higher than the ratios in Borrower's business plan which that was submitted to Administrative Agent in writing, a written statement of a Responsible Officer presenting a plan to rectify such variance, such plan to be reasonably acceptable to Administrative Agent.

(g) Administrative Agent (through any of its officers, employees, or agents) shall have the right, upon reasonable prior notice, from time to time during Borrower's usual business hours but no more than once a year (unless an Event of Default has occurred and is continuing), to inspect Borrower's Books and to make copies thereof and to check, test, inspect, audit and appraise the

Collateral at Borrower's expense (not to exceed \$20,000 per year unless an Event of Default has occurred and is continuing) in order to verify Borrower's financial condition or the amount, condition of, or any other matter relating to, the Collateral.

(h) Within five (5) days after the last day of each month, Trupanion shall deliver to Administrative Agent a report of all Cash held by APIC.

(i) Within thirty (30) days after the last day of each calendar quarter, Trupanion shall deliver to Administrative Agent a report setting forth the status of all requests for rate increases, including those for which are pending and those which Borrower expects to submit within the next thirty (30) days.

(j) Borrower shall at all times keep Borrower's Books at its headquarters or at a location disclosed to the Administrative Agent and at which Administrative Agent has received a satisfactory landlord's waiver for each such domestic location where Borrower maintains Collateral having an aggregate book value in excess of Five Hundred Thousand Dollars (\$500,000).

Borrower may deliver to Administrative Agent on an electronic basis any certificates, reports or information required pursuant to this Section 6.2, and Administrative Agent shall be entitled to rely on the information contained in the electronic files, provided that Administrative Agent in good faith believes that the files were delivered by a Responsible Officer. Borrower shall include a submission date on any certificates and reports to be delivered electronically.

6.3. Inventory and Equipment; Returns . Borrower shall keep all Inventory and Equipment in good and merchantable condition, free from all material defects except for Inventory and Equipment (1) sold in the ordinary course of business, and (1) for which adequate reserves have been made, in all cases in the United States and such other locations as to which Borrower gives prior written notice. Returns and allowances, if any, as between Borrower and its Account Debtors shall be on the same basis and in accordance with the usual customary practices of Borrower, as they exist on the Closing Date. Borrower shall promptly notify Administrative Agent of all returns and recoveries and of all disputes and claims involving inventory having a book value of more than Two Hundred Fifty Thousand Dollars (\$250,000).

6.4. Taxes . Borrower shall make, and cause each Subsidiary to make, due and timely payment or deposit of all material federal, state, and local taxes, assessments, or contributions required of it by law, including, but not limited to, those laws concerning income taxes, F.I.C.A., F.U.T.A. and state disability, and will execute and deliver to Administrative Agent, on demand, proof satisfactory to Administrative Agent in its reasonable discretion indicating that Borrower or a Subsidiary has made such payments or deposits and any appropriate certificates attesting to the payment or deposit thereof; provided that Borrower or a Subsidiary need not make any payment if the amount or validity of such payment is contested in good faith by appropriate proceedings and is reserved against (to the extent required by GAAP) by Borrower or such Subsidiary.

6.5. Insurance . Borrower, at its expense, shall (1) keep the Collateral insured against loss or damage, as reasonably appropriate and excluding reinsurance and (1) maintain liability and other insurance, in each case as ordinarily insured against by other owners in businesses similar to Borrower's. All such policies of insurance shall be in such form, with such companies, and in such amounts as reasonably satisfactory to Administrative Agent. All policies of property insurance shall contain a lender's loss payable endorsement, in a form satisfactory to Administrative Agent, showing

Administrative Agent as lender's loss payee. All liability insurance policies shall show, or have endorsements showing, Administrative Agent as an additional insured. Any such insurance policies shall specify that the insurer must give at least twenty (20) days notice to Administrative Agent before canceling its policy for any reason. Within thirty (30) days of the Closing Date, Borrower shall cause to be furnished to Administrative Agent a copy of its policies including any endorsements covering Administrative Agent or showing Administrative Agent as an additional insured. Upon Administrative Agent's request, Borrower shall deliver to Administrative Agent certified copies of the policies of insurance and evidence of all premium payments. Proceeds payable under any property policy will, at Borrower's option, be payable to Borrower to replace the property subject to the claim, provided that any such replacement property shall be deemed Collateral in which Administrative Agent has been granted a first priority security interest, provided that if an Event of Default has occurred and is continuing, all proceeds payable under any such policy shall, at Administrative Agent's option, be payable to Administrative Agent to be applied on account of the Obligations.

6.6. Accounts . Borrower and its Subsidiaries shall maintain at all times (a) all of their depository and operating accounts with Administrative Agent or any of the Lenders, provided that prior to maintaining any depository or operating accounts with any of such Lenders, Borrower or any of the Subsidiaries, as applicable, Administrative Agent, and any such Lender shall have entered into a deposit account control agreement with respect to any such depository or operating accounts, in form and substance satisfactory to Administrative Agent in its reasonable discretion, and (b) all of their investment accounts with Administrative Agent or Administrative Agent's affiliates, provided that prior to maintaining any investment accounts with Administrative Agent's affiliates, Borrower or any of the Subsidiaries, as applicable, Administrative Agent, and any such affiliate shall have entered into a securities account control agreement with respect to any such investment accounts, in form and substance satisfactory to Administrative Agent. Notwithstanding the above, Borrower may maintain cash and investments in one or more accounts not maintained with Administrative Agent, any of the Lenders, or each of such Affiliates, as applicable, if (i) required due to regulatory Laws or requested by an applicable regulator, (ii) such Cash is held in the Trust Accounts for payment of policyholder claims, and (iii) to the extent such Cash and investments are not otherwise already included in the foregoing clauses (i) and (ii), so long as (x) the aggregate amount of such cash and investments does not exceed Eight Million Dollars (\$8,000,000) at any time and (y) such cash and investments are maintained at all times in accounts owned by APIC, Wyndham, or Trupanion Broker.

6.7. Financial Covenants. Borrower and its Subsidiaries shall at all times maintain or cause a Subsidiary to maintain, as applicable, the following financial ratios and covenants:

(a) APIC's Minimum Cash . Borrower shall cause APIC to maintain statutory capital and surplus at all times of not less than the greater of (i) the amount required by APIC or (ii) one hundred ten percent (110%) of the highest capital and surplus amount required by law by the states in which APIC is licensed.

(b) Borrower's Minimum Cash . Borrower shall maintain a balance of Cash, investments, CDARS products, and other instruments maintained by any of the Lenders in an aggregate amount of not less than Two Million Dollars (\$2,000,000) on a pro rata basis according to the respective Revolving Percentage of each Lender inclusive of (Borrower's Minimum Cash at WAB pursuant to Section 6.7(f).

(c) Minimum Quarterly Revenue . Borrower shall generate Revenue measured on a rolling three (3) month basis of not less than the following amounts at the following applicable times:

Quarter Ending	Minimum Trailing 3 Month Revenue
December 31, 2016	\$40,900,000
March 31, 2017	\$46,970,000
June 30, 2017	\$50,380,000
September 30, 2017	\$53,240,000
December 31, 2017	\$57,420,000

Commencing with the month ending March 31, 2018 and as of the last day of each calendar quarter thereafter, the minimum Revenue covenant set forth in this Section 6.7(c) shall be equal to eighty percent (80%) of Trupanion's projected Revenue for the corresponding three month period as determined from Trupanion's annual financial projections approved by Trupanion's Board of Directors and delivered to Administrative Agent which such projections shall constitute growth over the immediately preceding fiscal year of not less than ten percent (10%) (such covenant, the “**2018 Minimum Revenue Financial Covenant**”).

(d) Minimum EBITDA . Borrower shall maintain consolidated EBITDA measured on a trailing three (3) month basis of not less than (or with respect to losses, EBITDA losses of not greater than) the following amounts at the following times:

<u>Month Ending</u>	<u>EBITDA</u>
August 31, 2016	(\$1,000,000)
September 30, 2016	(\$500,000)
October 31, 2016	(\$500,000)
November 30, 2016	(\$100,000)
December 31, 2016	(\$100,000)
January 31, 2017	(\$300,000)
February 28, 2017	(\$100,000)
March 31, 2017	(\$100,000)
April 30, 2017	(\$100,000)
May 31, 2017	(\$300,000)
June 30, 2017	\$1.00
July 31, 2017	\$1.00

Commencing with the month ending August 31, 2017 and as of the last day of each month thereafter, Borrower's consolidated EBITDA shall be at least One Dollar (\$1.00).

(a) **Claims Ratio**. Measured on a monthly basis, a twelve (12) month average combined Claims Ratio that is not more than ten percent (10%) higher than the ratio in Borrower's business plan that was submitted to Administrative Agent pursuant to Section 6.2, but in any event not greater than seventy percent (70%).

(b) **Borrower's Minimum Cash at WAB**. Borrower and its Subsidiaries shall at all times on and after the Closing Date maintain a balance of unrestricted Cash, in one or more non-interest bearing accounts with WAB in an aggregate amount of not less than Six Hundred Thousand Dollars (\$600,000). At least a percentage equal to WAB's Revolving Percentage of Borrower's Cash on an average daily balance measured on a monthly basis shall be in an account(s) with WAB (and/or one or more Affiliates of WAB, as approved by WAB in its discretion).

6.8. Registration of Intellectual Property Rights.

(a) Borrower shall give Administrative Agent written notice, within thirty (30) days after each calendar quarter, of any applications or registrations of material intellectual property rights filed with the United States Patent and Trademark Office during any calendar quarter, including the date of such filing and the registration or application numbers, if any.

(b) Borrower shall (i) give Administrative Agent not less than thirty (30) days prior written notice of the filing of any applications or registrations with the United States Copyright Office, including the title of such intellectual property rights to be registered, as such title will appear on such applications or registrations, and the date such applications or registrations will be filed; (ii) prior to the filing of any such applications or registrations, execute such documents as Administrative Agent may reasonably request for Administrative Agent to maintain its perfection in such intellectual property rights to be registered by Borrower; (iii) upon the request of Administrative Agent, either deliver to Administrative Agent or file such documents simultaneously with the filing of any such applications or registrations; and (iv) upon filing any such applications or registrations, promptly provide Administrative Agent with a copy of such applications or registrations together with any exhibits, evidence of the filing of any documents requested by Administrative Agent to be filed for Administrative Agent to maintain the perfection and priority of its security interest in such intellectual property rights, and the date of such filing.

(c) Borrower shall execute and deliver such additional instruments and documents from time to time as Administrative Agent shall reasonably request to perfect and maintain the perfection and priority of Administrative Agent's security interest in the Intellectual Property Collateral.

(d) Borrower shall use commercially reasonable efforts to (i) protect, defend and maintain the validity and enforceability of the trade secrets, Trademarks, Patents and Copyrights material to its business, (ii) detect infringements of the Trademarks, Patents and Copyrights and promptly advise Administrative Agent in writing of material infringements detected and (iii) not allow any Trademarks, Patents or Copyrights material to its business to be abandoned, forfeited or dedicated to the public without the written consent of Administrative Agent, which shall not be unreasonably withheld.

(e) Administrative Agent shall have the right, but not the obligation, to take, at Borrower's sole expense, any actions that Borrower is required under this Section 6.8 to take but which Borrower fails to take, after fifteen (15) days' notice to Borrower. Borrower shall reimburse and indemnify Administrative Agent for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section 6.8.

6.9. Consent of Inbound Licensors . Prior to entering into or becoming bound by any material inbound license or software agreement (other than for over-the-counter software that is commercially available to the public), in each case the absence of which would reasonably be expected to have a Material Adverse Effect, Borrower shall: (i) provide written notice to Administrative Agent of the material terms of such license or agreement with a description of its likely impact on Borrower's business or financial condition; and (ii) in good faith use commercially reasonable efforts to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for Borrower's interest in such licenses or contract rights to be deemed Collateral and for Administrative Agent and the Lenders to have a security interest in it that might otherwise be restricted by the terms of the applicable license or software agreement, whether now existing or entered into in the future, provided, however, that the failure to obtain any such consent or waiver shall not constitute a default under this Agreement.

6.10. Creation/Acquisition of Subsidiaries. In the event any Loan Party creates or acquires any Subsidiary, Borrower shall promptly notify Administrative Agent of such creation or acquisition, and Borrower shall take all actions reasonably requested by Administrative Agent to achieve any of the following with respect to such New Subsidiary: (1) to cause New Subsidiary to become

either a co-Borrower hereunder, if such New Subsidiary is organized under the laws of the United States, or a secured guarantor with respect to the Obligations; and (1) to grant and pledge to Administrative Agent a perfected security interest in the Shares of any such New Subsidiary.

6.11. Notices. Give prompt written notice to the Administrative Agent of:

- (a) the occurrence of any Default or Event of Default;
- (b) becoming aware of any (i) default or event of default under any Contractual Obligation of Borrower or any of its Subsidiaries that, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect; and (ii) litigation, investigation or proceeding that may exist at any time between Borrower and any Governmental Authority that, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;
- (c) any litigation or proceeding affecting Borrower or any of its Subsidiaries which could reasonably be expected to result in a Material Adverse Effect; and
- (d) promptly after the Borrower has knowledge or becomes aware of the occurrence of any of the following events affecting any Loan Party or any of its respective ERISA Affiliates (but in no event more than ten (10) days after such event), the occurrence of any of the following events, and shall provide the Administrative Agent with a copy of any notice with respect to such event that may be required to be filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Borrower or any of its ERISA Affiliates with respect to such event, if such event could reasonably be expected to result in liability in excess of Five Hundred Thousand Dollars (\$500,000) of any Loan Party or any of their respective ERISA Affiliates: (A) an ERISA Event, (B) the adoption of any new Pension Plan by the Borrower or any ERISA Affiliate, (C) the adoption of any amendment to a Pension Plan, if such amendment will result in a material increase in benefits or unfunded benefit liabilities (as defined in Section 4001(a)(18) of ERISA), or (D) the commencement of contributions by the Borrower or any ERISA Affiliate to any Pension Plan that is subject to Title IV of ERISA or Section 412 of the Code.

6.12. Capital, Licensing and Compliance Requirements; Financial Covenants . Borrower and each Subsidiary shall maintain compliance with all capital requirements, financial covenants and other licensing and compliance requirements as required by each state and/or province in which Borrower or a Subsidiary conducts business the loss of which or failure to comply with which would reasonably be expected to have a Material Adverse Effect.

6.13. WICL Segregated Account . WICL Segregated Account shall have granted Administrative Agent a valid, first prior security interest in the shares of WICL Segregated Account issued to Borrower.

6.14. Further Assurances . At any time and from time to time Borrower shall execute and deliver such further instruments and take such further action as may reasonably be requested by Administrative Agent to effect the purposes of this Agreement.

7. NEGATIVE COVENANTS.

Borrower covenants and agrees that, so long as any credit hereunder shall be available and until the outstanding Obligations are paid in full or for so long as Administrative Agent and the Lenders may

have any commitment to make any Credit Extensions, Borrower will not do any of the following without Administrative Agent's prior written consent:

7.1. Dispositions . Convey, sell, lease, license, transfer or otherwise dispose of (collectively, to “ **Transfer** ”), or permit any of Loan Party to Transfer, all or any part of its business or property, or move cash balances on deposit with Administrative Agent to accounts opened at another financial institution, other than Permitted Transfers.

7.2. Change in Name, Location, Executive Office, or Executive Management; Change in Business; Change in Fiscal Year; Change in Control. Change its name or the state of Borrower's formation or relocate its chief executive office without thirty (30) days prior written notification to Administrative Agent; take action to liquidate, wind up, or otherwise cease to conduct business in the ordinary course; engage in any business, or permit any of its Subsidiaries to engage in any business, other than or reasonably related or incidental to the businesses currently engaged in by Borrower; change its fiscal year end; have a Change in Control.

7.3. Mergers or Acquisitions . Merge or consolidate, or permit any Loan Party to merge or consolidate, with or into any other business organization (other than mergers or consolidations of a Loan Party into another Loan Party or into Borrower), or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person except where (1) each of the following conditions is applicable: (1) the consideration paid in connection with such transactions (including assumption of liabilities), other than equity interests in Trupanion, does not in the aggregate exceed One Million Dollars (\$1,000,000) during any fiscal year, (1) no Event of Default has occurred, is continuing or would exist after giving effect to such transactions, (1) such transactions do not result in a Change in Control, and (1) Borrower is the surviving entity; or (1) the Obligations are repaid in full concurrently with the closing of any merger or consolidation of Borrower in which Borrower is not the surviving entity.

7.4. Indebtedness . Create, incur, assume, guarantee or be or remain liable with respect to any Indebtedness, or permit any Loan Party so to do, other than Permitted Indebtedness, or prepay any Indebtedness or take any actions which impose on Borrower an obligation to prepay any Indebtedness, except Indebtedness to a Lender or Administrative Agent under this Agreement.

7.5. Encumbrances . Create, incur, assume or allow any Lien with respect to its property, or assign or otherwise convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries so to do, except for Permitted Liens, or covenant to any other Person (other than (1) the licensors of in-licensed property with respect to such property or (1) the lessors of specific equipment or lenders financing specific equipment with respect to such leased or financed equipment) that Borrower in the future will refrain from creating, incurring, assuming or allowing any Lien with respect to any of Borrower's property.

7.6. Distributions . Pay any dividends or make any other distribution or payment on account of or in redemption, retirement or purchase of any capital stock, except that Borrower may (1) repurchase the stock of former employees or directors pursuant to stock repurchase agreements in an aggregate amount not to exceed One Million Dollars (\$1,000,000) in any fiscal year, so long as an Event of Default does not exist prior to such repurchase or would not exist after giving effect to such repurchase, and (1) repurchase the stock of former employees or directors pursuant to stock repurchase

agreements in any amount where the consideration for the repurchase is the cancellation of indebtedness owed by such former employees or directors to Borrower regardless of whether an Event of Default exists.

7.7. Investments . Directly or indirectly acquire or own an Investment in, or make any Investment in or to any Person, or permit any Loan Party so to do, other than Permitted Investments, or maintain or invest any of its investment property with a Person other than Administrative Agent or permit any Loan Party to do so unless such Person has entered into a control agreement with Administrative Agent, in form and substance satisfactory to Administrative Agent, or suffer or permit any Loan Party to be a party to, or be bound by, an agreement that restricts such Loan Party from paying dividends or otherwise distributing property to Borrower.

7.8. Capitalized Expenditures. Make Capitalized Expenditures in excess of One Million Dollars (\$1,000,000) in the aggregate in any fiscal quarter of Borrower.

7.9. Transactions with Affiliates . Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.10. Subordinated Debt . Make any payment in respect of any Subordinated Debt, or permit any of its Subsidiaries to make any such payment, except in compliance with the terms of such Subordinated Debt, or amend any provision affecting Administrative Agent's rights contained in any documentation relating to the Subordinated Debt without Administrative Agent's prior written consent.

7.11. Inventory and Equipment . Store the Inventory or the Equipment of a book value in excess of One Million Dollars (\$1,000,000) with a bailee, warehouseman, collocation facility or similar third party unless the third party has been notified of Administrative Agent's security interest and Administrative Agent (1) has received an acknowledgment from the third party that it is holding or will hold the Inventory or Equipment for Administrative Agent's benefit or (1) is in possession of the warehouse receipt, where negotiable, covering such Inventory or Equipment. Except for Inventory sold in the ordinary course of business and for movable items of personal property having an aggregate book value not in excess of One Hundred Thousand Dollars (\$100,000), and except for such other locations as Administrative Agent may approve in writing, Borrower shall keep the Inventory and Equipment only at the location set forth in Section 11 and such other locations of which Borrower gives Administrative Agent prior written notice and as to which Administrative Agent is able to take such actions as may be necessary to perfect its security interest or to obtain a bailee's acknowledgment of Administrative Agent's rights in the Collateral.

7.12. No Investment Company; Margin Regulation . Become or be controlled by an "investment company," within the meaning of the Investment Company Act of 1940, or become principally engaged in, or undertake as one of its important activities, the business of extending credit for the purpose of purchasing or carrying margin stock, or use the proceeds of any Credit Extension for such purpose.

7.13. APIC Capital Withdrawals . Permit any withdrawals of capital from APIC, except for excess balances over the greater of (i) the amount of Cash and investments required to be held for insurance company reserves and surplus at APIC and (ii) the amount necessary to comply with Section 2.1(b)(i).

7.14. Canadian Subsidiaries . Borrower shall not conduct business operations in the following Canadian Subsidiaries: Trupanion Alberta Holding Company, ULC and Trupanion Canadian Shareholders, Ltd. None of the foregoing Canadian Subsidiaries shall hold more than Fifty Thousand Dollars (\$50,000) in current assets.

8. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute an Event of Default by Borrower under this Agreement:

8.1. Payment Default . If Borrower fails to pay any of the Obligations when due;

8.2. Covenant Default.

(a) If Borrower fails to perform any obligation under Sections 3.3, 6.2, 6.4, 6.5, 6.6, 6.7, or 6.12, or violates any of the covenants contained in Article 7 of this Agreement; or

(b) If Borrower fails or neglects to perform or observe any other material term, provision, condition, covenant contained in this Agreement, in any of the Loan Documents, or in any other present or future agreement between Borrower and Administrative Agent and as to any default under such other term, provision, condition or covenant that can be cured, has failed to cure such default within ten (10) days after Borrower receives notice thereof or any officer of Borrower becomes aware thereof; provided, however, that if the default cannot by its nature be cured within the ten (10)-day period or cannot after diligent attempts by Borrower be cured within such ten (10)-day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional reasonable period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default but no Credit Extensions will be made;

8.3. Material Adverse Change . If there occurs any circumstance or any circumstances which would reasonably be expected to have a Material Adverse Effect;

8.4. Attachment . If any material portion of Borrower's or any Loan Party's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within fifteen (15) days, or if Borrower or any Loan Party is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon any material portion of Borrower's or any Loan Party's assets, or if a notice of lien, levy, or assessment is filed of record with respect to any material portion of Borrower's or any Loan Party's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, and the same is not paid within ten (10) days after Borrower receives notice thereof, provided that none of the foregoing

shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Borrower (provided that no Credit Extensions will be made during such cure period);

8.5. Insolvency . If Borrower or any Loan Party becomes insolvent, or if an Insolvency Proceeding is commenced by Borrower or any Loan Party, or if an Insolvency Proceeding is commenced against Borrower and is not dismissed or stayed within forty-five (45) days (provided that no Credit Extensions will be made prior to the dismissal of such Insolvency Proceeding);

8.6. Other Agreements . If there is a default or other failure to perform in any agreement to which Borrower or any Loan Party is a party with a third party or parties (1) resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of One Million Dollars (\$1,000,000), (1) in connection with any lease of real property at which Administrative Agent has received a satisfactory landlord waiver, other than in connection with a bona fide dispute between Borrower and its landlord which such dispute has been previously disclosed in writing to Administrative Agent, or (1) that would reasonably be expected to have a Material Adverse Effect;

8.7. Judgments . If a final, uninsured judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least One Million Dollars (\$1,000,000) shall be rendered against Borrower or any Loan Party and shall remain unsatisfied and unstayed for a period of fifteen (15) days (provided that no Credit Extensions will be made prior to the satisfaction or stay of the judgment); or

8.8. Misrepresentations . If any material misrepresentation or material misstatement exists now or hereafter in any warranty or representation set forth herein or in any certificate delivered to Administrative Agent by any Responsible Officer pursuant to this Agreement or to induce Administrative Agent to enter into this Agreement or any other Loan Document.

8.9. ERISA Event. There shall occur one or more ERISA Events which individually or in the aggregate results in or otherwise is associated with liability of any Borrower or any of its Subsidiaries or any ERISA Affiliate thereof in excess of Five Hundred Thousand Dollars (\$500,000) during the term of this Agreement; or there exists an amount of unfunded benefit liabilities (as defined in Section 4001(a)(18) of ERISA), individually or in the aggregate for all Pension Plans (excluding for purposes of such computation any Pension Plans with respect to which assets exceed benefit liabilities) which exceeds Five Hundred Thousand Dollars (\$500,000).

9. RIGHTS AND REMEDIES OF ADMINISTRATIVE AGENT AND THE LENDERS.

9.1. Rights and Remedies . Upon the occurrence and during the continuance of an Event of Default, Administrative Agent may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Borrower and the Lenders:

(a) Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable (provided that upon the

occurrence of an Event of Default described in Section 8.5, all Obligations shall become immediately due and payable without any action by Administrative Agent);

(b) Demand that Borrower (i) deposit cash with Administrative Agent in an amount equal to one hundred five percent (105%) of the amount of any Letters of Credit remaining undrawn, as collateral security for the repayment of any future drawings under such Letters of Credit, and (ii) pay in advance all Letter of Credit fees scheduled to be paid or payable over the remaining term of the Letters of Credit, and Borrower shall promptly deposit and pay such amounts;

(c) Cease advancing money or extending credit to or for the benefit of Borrower under this Agreement or under any other agreement between Borrower and Administrative Agent;

(d) Settle or adjust disputes and claims directly with Account Debtors for amounts, upon terms and in whatever order that Administrative Agent reasonably considers advisable;

(e) Make such payments and do such acts as Administrative Agent considers necessary or reasonable to protect its security interest in the Collateral. Borrower agrees to assemble the Collateral if Administrative Agent so requires, and to make the Collateral available to Administrative Agent as Administrative Agent may designate. Borrower authorizes Administrative Agent to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien which in Administrative Agent's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Borrower's owned premises, Borrower hereby grants Administrative Agent a license to enter into possession of such premises upon the occurrence and during the continuance of an Event of Default, and to occupy the same, without charge, in order to exercise any of Administrative Agent's rights or remedies provided herein, at law, in equity, or otherwise;

(f) Place a "hold" on any account of any Loan Party maintained with Administrative Agent and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any control agreement or similar agreements providing control of any Collateral;

(g) Set off and apply to the Obligations any and all (i) balances and deposits of Borrower or any Loan Party held by Administrative Agent, and (ii) indebtedness at any time owing to or for the credit or the account of Borrower or any Loan Party held by Administrative Agent;

(h) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Administrative Agent is hereby granted a license or other right, solely pursuant to the provisions of this Section 9.1, to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Administrative Agent's exercise of its rights under this Section 9.1, Borrower's rights under all licenses and all franchise agreements shall inure to Administrative Agent's benefit;

(i) Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Administrative Agent determines is commercially reasonable, and apply any proceeds to the Obligations in whatever manner or order Administrative Agent deems appropriate. Administrative Agent may sell the Collateral without giving any warranties as to the Collateral. Administrative Agent may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. If

Administrative Agent sells any of the Collateral upon credit, Borrower will be credited only with payments actually made by the purchaser, received by Administrative Agent, and applied to the indebtedness of the purchaser. If the purchaser fails to pay for the Collateral, Administrative Agent may resell the Collateral and Borrower shall be credited with the proceeds of the sale;

(j) Administrative Agent may credit bid and purchase at any public sale;

(k) Apply for the appointment of a receiver, trustee, liquidator or conservator of the Collateral, without notice and without regard to the adequacy of the security for the Obligations and without regard to the solvency of Borrower, any guarantor or any other Person liable for any of the Obligations; and

(l) Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Borrower.

Administrative Agent may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

9.2. Power of Attorney . Effective only upon the occurrence and during the continuance of an Event of Default, Borrower hereby irrevocably appoints Administrative Agent (and any of Administrative Agent's designated officers, or employees) as Borrower's true and lawful attorney to: (1) send requests for verification of Accounts or notify Account Debtors of Administrative Agent's and Lenders' security interest in the Accounts; (1) endorse Borrower's name on any checks or other forms of payment or security that may come into Administrative Agent's possession; (1) sign Borrower's name on any invoice or bill of lading relating to any Account, drafts against Account Debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to Account Debtors; (1) dispose of any Collateral; (1) make, settle, and adjust all claims under and decisions with respect to Borrower's policies of insurance; (1) settle and adjust disputes and claims respecting the accounts directly with Account Debtors, for amounts and upon terms which Administrative Agent determines to be reasonable; and (1) file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral; provided Administrative Agent may exercise such power of attorney to sign the name of Borrower on any of the documents described in clause (g) above, regardless of whether an Event of Default has occurred. The appointment of Administrative Agent as Borrower's attorney in fact, and each and every one of Administrative Agent's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and performed and Administrative Agent's obligation to provide advances hereunder is terminated.

9.3. Accounts Collection . At any time after the occurrence and during the continuation of an Event of Default, Administrative Agent may notify any Person owing funds to Borrower of Administrative Agent's and Lenders' security interest in such funds and verify the amount of such Account. Borrower shall collect all amounts owing to Borrower for Administrative Agent, receive in trust all payments as Administrative Agent's trustee, and immediately deliver such payments to Administrative Agent in their original form as received from the Account Debtor, with proper endorsements for deposit.

9.4. Administrative Agent Expenses . If Borrower fails to pay any amounts or furnish any required proof of payment due to third persons or entities, as required under the terms of this Agreement, then Administrative Agent may do any or all of the following after reasonable notice to Borrower: (1) make payment of the same or any part thereof; (1) set up such reserves under the Revolving Line as Administrative Agent deems necessary to protect Administrative Agent from the

exposure created by such failure; or (1) obtain and maintain insurance policies of the type discussed in Section 6.5 of this Agreement, and take any action with respect to such policies as Administrative Agent deems prudent. Any amounts so paid or deposited by Administrative Agent shall constitute Administrative Agent Expenses, shall be immediately due and payable, and shall bear interest at the then applicable rate hereinabove provided, and shall be secured by the Collateral. Any payments made by Administrative Agent shall not constitute an agreement by Administrative Agent to make similar payments in the future or a waiver by Administrative Agent of any Event of Default under this Agreement.

9.5. Liability for Collateral . Administrative Agent nor Lenders have any obligation to clean up or otherwise prepare the Collateral for sale. All risk of loss, damage or destruction of the Collateral shall be borne by Borrower.

9.6. No Obligation to Pursue Others . Administrative Agent nor Lenders have any obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and Administrative Agent may release, modify or waive any collateral provided by any other Person to secure any of the Obligations, all without affecting Administrative Agent's and Lenders' rights against Borrower. Borrower waives any right it may have to require Administrative Agent and/or any Lenders to pursue any other Person for any of the Obligations.

9.7. Remedies Cumulative . Administrative Agent's and Lenders' rights and remedies under this Agreement, the Loan Documents, and all other agreements shall be cumulative. Administrative Agent for itself and on behalf of the Lenders shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Administrative Agent of one right or remedy shall be deemed an election, and no waiver by Administrative Agent of any Event of Default on Borrower's part shall be deemed a continuing waiver. No delay by Administrative Agent shall constitute a waiver, election, or acquiescence by it. No waiver by Administrative Agent shall be effective unless made in a written document signed on behalf of Administrative Agent and then shall be effective only in the specific instance and for the specific purpose for which it was given. Borrower expressly agrees that this Section 9.7 may not be waived or modified by Administrative Agent by course of performance, conduct, estoppel or otherwise.

9.8. Demand; Protest . Except as otherwise provided in this Agreement, Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment and any other notices relating to the Obligations.

10. THE ADMINISTRATIVE AGENT.

10.1. Appointment and Authority.

(a) Each of the Lenders hereby irrevocably appoints PWB to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto.

(b) The provisions of this Section 10 are solely for the benefit of the Administrative Agent and the Lenders, and neither Borrower nor any other Loan Party shall have rights

as a third party beneficiary of any of such provisions. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities to any Lender or any other Person, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

(c) The Administrative Agent shall also act as the collateral agent under the Loan Documents and each of the other Lenders (in their respective capacities as a Lender) hereby irrevocably (i) authorize the Administrative Agent to enter into all other Loan Documents, and (ii) appoint and authorize the Administrative Agent to act as the agent of the Lenders for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Loan Parties to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. The Administrative Agent, as collateral agent and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 10.2 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted hereunder and under any of the other Loan Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Section and Section 13 (including Section 10.7, as though such co-agents, sub-agents and attorneys-in-fact were the collateral agent under the Loan Documents) as if set forth in full herein with respect thereto. Without limiting the generality of the foregoing, the Administrative Agent is further authorized on behalf of all the Lenders, without the necessity of any notice to or further consent from the Lenders, from time to time to take any action, or permit any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent to take any action, with respect to any Collateral or the Loan Documents which may be necessary to perfect and maintain perfected the Liens upon any Collateral granted pursuant to any Loan Document.

10.2. Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Section shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the Facilities provided for herein as well as activities as the Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub agents.

10.3. Exculpatory Provisions. The Administrative Agent shall have no duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder and thereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent shall not:

(d) be subject to any fiduciary or other implied duties, regardless of whether any default or any Event of Default has occurred and is continuing;

(e) have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), as applicable; provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Laws or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Laws; and

(f) except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and the Administrative Agent shall not be liable for the failure to disclose, any information relating to Borrower or any of its Affiliates that is communicated to or obtained by any Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 9 and 13.5), or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Section 3.1, Section 3.2 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

10.4. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, renewal or increase of a Letter of Credit, or the provision of Ancillary Services, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender

unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan, the issuance of such Letter of Credit, or the provision of such Ancillary Services. The Administrative Agent may consult with legal counsel (who may be counsel for any of the Loan Parties), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts. The Administrative Agent may deem and treat the payee of any note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or such other number or percentage of Lenders as shall be provided for herein or in the other Loan Documents) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or such other number or percentage of Lenders as shall be provided for herein or in the other Loan Documents), and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lenders and all future holders of the Loans.

10.5. Notice of Default . The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any default or Event of Default unless the Administrative Agent has received notice in writing from a Lender or Borrower referring to this Agreement, describing such default or Event of Default and stating that such notice is a “ **notice of default**.” In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such default or Event of Default as it shall deem advisable in the best interests of the Lenders or, if so specified by this Agreement, as shall be reasonably directed by the Required Lenders or all Lenders; provided that unless and until the Administrative Agent shall have received such directions, if so specified by this Agreement, the Administrative Agent may (but shall not be obligated to) take such action or refrain from taking such action with respect to such default or Event of Default as it shall deem advisable in the best interests of the Lenders.

10.6. Non-Reliance on Administrative Agent and Other Lenders . Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys in fact or affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of a Group Member or any affiliate of a Group Member, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Group Members and their affiliates and made its own credit analysis and decision to make its Loans hereunder and enter into this Agreement. Each Lender also agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or

not taking action under or based upon this Agreement, the other Loan Documents or any related agreement or any document furnished hereunder or thereunder, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Group Members and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Group Member or any Affiliate of a Group Member that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys in fact or affiliates.

10.7. Indemnification. Each of the Lenders agrees to indemnify the Administrative Agent and each of its Related Parties in its capacity as such (to the extent not reimbursed by Borrower or any other Loan Party pursuant to any Loan Document and without limiting the obligation of Borrower or any other Loan Party to do so) according to its Aggregate Exposure Percentage in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Revolving Commitments shall have terminated and the Loans shall have been paid in full, in accordance with its Aggregate Exposure Percentage immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against the Administrative Agent or such other Person in any way relating to or arising out of, the Revolving Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent or such other Person under or in connection with any of the foregoing and any other amounts not reimbursed by Borrower or such other Loan Party; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted primarily from the Administrative Agent's or such other Person's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

10.8. Agent in Its Individual Capacity. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

10.9. Successor Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with Borrower, to appoint a successor. If no such successor shall

have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the “**Resignation Effective Date**”), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above and be an Eligible Assignee. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to Borrower and such Person remove such Person as Administrative Agent and, in consultation with Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days (or such earlier day as shall be agreed by the Required Lenders) (the “**Removal Effective Date**”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (i) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed and such collateral security is assigned to such successor Administrative Agent) and (ii) except for any indemnity payments owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor’s appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent (other than any rights to indemnity payments owed to the retiring or removed Administrative Agent), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between Borrower and such successor. After the retiring or removed Administrative Agent’s resignation or removal hereunder and under the other Loan Documents, the provisions of Section 10 and Section 13.2, 13.8, 13.10, 13.11, 13.12, and 13.13 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as the Administrative Agent

10.10. Collateral and Guaranty Matters.

(a) The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(i) to release any Lien on any Collateral or other property granted to or held by the Administrative Agent under any Loan Document (1) upon the Discharge of Obligations, (2) that is sold or otherwise disposed of or to be sold or otherwise disposed of

as part of or in connection with any sale or other disposition permitted hereunder or under any other Loan Document, or (3) subject to Section 13.5, if approved, authorized or ratified in writing by the Required Lenders,

- (ii) to subordinate any Lien on any Collateral or other property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by clause (c) of the definition of Permitted Liens; and
- (iii) to release any guarantor from its obligations under any guaranty.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any guarantor from its obligations under any guaranty.

(b) The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

10.11. Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Laws or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on Borrower) shall be entitled and empowered (but not obligated), by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.7, 13.2, 13.8, 13.10, 13.11, 13.12, and 13.13) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.7, 13.2, 13.8, 13.10, 13.11, 13.12, and 13.13.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

10.12. No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the “Bookrunners”, “Arrangers” or “Lead Arrangers” that may be listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

10.13. Survival. This Section shall survive the Discharge of Obligations.

11. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other agreement entered into in connection herewith shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by a recognized overnight delivery service, certified mail, postage prepaid, return receipt requested, or upon transmission when sent by telefacsimile or electronic mail to Borrower or to Administrative Agent, and in the case of the Lenders as the case may be, at its addresses set forth below:

If to Borrower: c/o Trupanion, Inc.
6100 4th Avenue S, Suite 200
Seattle, Washington 98108
Attn: Chief Financial Officer
Email: accounts.payable@trupanion.com

with a copy to: c/o Trupanion, Inc.
6100 4th Avenue S, Suite 200
Seattle, Washington 98108
Attn: Legal
Email: legal@trupanion.com

If to Administrative Agent: Pacific Western Bank
406 Blackwell Street, Suite 240
Durham, North Carolina 27701
Attn: Loan Operations Manager
FAX: (919) 314-3080
Email: loanops@square1bank.com

with a copy to: Pacific Western Bank
406 Blackwell Street, Suite 240
Durham, North Carolina 27701
Attn: General Counsel
FAX: (919) 314-3080
Email: nnance@square1bank.com

Pacific Western Bank
1899 Wynkoop Street, Suite 325
Denver, Colorado 80202
Attn: Adam Glick, Senior Vice President
Email: aglick@square1bank.com

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other.

12. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to principles of conflicts of law. Jurisdiction shall lie in the courts of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York. All disputes, controversies, claims, actions and similar proceedings arising with respect to Borrower's account or any related agreement or transaction shall be brought in Federal or State courts located in Manhattan, NY, except as provided below with respect to arbitration of such matters. ADMINISTRATIVE AGENT, LENDERS, AND BORROWER EACH ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH OF THEM, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT, WITH COUNSEL OF THEIR CHOICE, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY RELATED INSTRUMENT OR LOAN DOCUMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTION OF ANY OF THEM. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY ADMINISTRATIVE AGENT, LENDERS, OR BORROWER, EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY EACH OF THEM. If the jury waiver set forth in this Section 11 is not enforceable, then any dispute, controversy, claim, action or similar proceeding arising out of or relating to this Agreement, the Loan Documents or any of the transactions contemplated therein shall be settled by final and binding arbitration held the City of New York, New York in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association by one arbitrator appointed in accordance with those rules. The arbitrator shall apply New York law to the resolution of any dispute, without reference to rules of conflicts of law or rules of statutory arbitration. Judgment upon any award resulting from arbitration may be entered into and enforced by any state or federal court having jurisdiction thereof. Notwithstanding the foregoing, the parties may apply to any court of competent jurisdiction for preliminary or interim equitable relief, or to compel arbitration in accordance with this Section. The costs and expenses of the arbitration, including without limitation, the arbitrator's fees and expert witness fees, and reasonable attorneys' fees, incurred by the parties to the arbitration may be awarded to the prevailing party, in the discretion of the arbitrator, or may be apportioned between the parties in any manner deemed appropriate by the arbitrator. Unless and until the arbitrator decides that one party is to pay for all (or a share) of such costs and expenses, both parties shall share equally in the payment of the arbitrator's fees as and when billed by the arbitrator.

This Section shall survive the Discharge of Obligations.

13. GENERAL PROVISIONS.

13.1. Successors and Assigns; Participations and Assignments.

(a) Successors and Assigns Generally. 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 neither the Borrower nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 13.1(e) (and any other attempted assignment or transfer by any party hereto shall be null and void). 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 paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Commitments and the Loans at the time owing to it); provided that (in each case with respect to any Facility) any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Revolving Commitments and/or the Loans at the time owing to it (in each case with respect to any Facility) or contemporaneous assignments to related Approved Funds (determined after giving effect to such assignments) that equal at least the amount specified in paragraph (b)(i)(B) of this Section in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the Revolving Commitments (which for this purpose includes Loans outstanding thereunder) or, if the applicable Revolving Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than Five Million Dollars (\$5,000,000) unless each of the Administrative Agent and, so long as no Default or Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans and/or the Revolving Commitments assigned, except that this clause (ii) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate Facilities on a non-pro rata basis.

(iii) Required Consents. No consent shall be required for any assignment by a Lender except to the extent required by paragraph (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) a Default or an Event of Default has occurred and is continuing at the time of such assignment, or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within ten (10) Business Days after having received notice thereof; and

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of the Revolving Facility if such assignment is to a Person that is not a Lender with a Revolving Commitment in respect of such Facility, an Affiliate of such Lender or an Approved Fund with respect to such Lender.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of Three Thousand Five Hundred Dollars (\$3,500); provided that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent any such administrative questionnaire as the Administrative Agent may request.

(v) No Assignment to Certain Persons. No such assignment shall be made to (A) a Loan Party or any of a Loan Party's Affiliates or Subsidiaries, (B) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B), or (C) so long as no Event of Default has occurred and is continuing, an Excluded Lender.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural Person (or a holding company, investment vehicle or trust established for, or owned and operated for the primary benefit of, a natural Person).

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, and each Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans in accordance with its Revolving Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning 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 Sections 2.10, 2.11, 13.2, 13.8, 13.10, 13.11, 13.12, and 13.13 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph 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 paragraph (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person, a holding company, investment vehicle or trust established for, or owned and operated for the primary benefit of, a natural Person or any Loan Party or any of any Loan Party'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 its Revolving Commitments 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, the Administrative Agent, and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnities under Sections 2.11(e) and 10.7 with respect to any payments made by such Lender to its Participant(s).

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 which affects such Participant and for which the consent of such Lender is required (as described in Section 13.5). The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.10 and 2.11 (subject to the requirements and limitations therein, including the requirements under Section 2.11(f) (it being understood that the documentation required under Section 2.11(f) shall be delivered to such Participant)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 13.1(b); provided that such Participant (A) agrees to be subject to the provisions of Section 2.13 as if it were an assignee under Section 13.1(b); and

(B) shall not be entitled to receive any greater payment under Sections 2.10 and 2.11, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a change in any Requirement of Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 2.13 with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 13.13 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.9(j) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "**Participant Register**"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Notes. The Borrower, upon receipt by the Borrower of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in Section 13.1.

(g) Representations and Warranties of Lenders. Each Lender, upon execution and delivery hereof or upon succeeding to an interest in the Revolving Commitments or Loans, as the case may be, represents and warrants as of the Closing Date or as of the effective date of the applicable Assignment and Assumption that (i) it is an Eligible Assignee; (ii) it has experience and expertise in the making of or investing in commitments, loans or investments such as the Commitments and Loans; and (iii) it will make or invest in its Revolving Commitments and Loans for its own account in the ordinary course of its business and without a view to distribution of such Revolving Commitments and Loans within the meaning of the Securities Act or the Exchange Act, or other federal securities laws (it being understood that, subject to the provisions of this Section, the disposition of such Revolving Commitments and Loans or any interests therein shall at all times remain within its exclusive control).

13.2. Indemnification. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender, and each Related Party of any of the foregoing Persons (each

such Person being called an “ **Indemnatee** ”) against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnatee), and shall indemnify and hold harmless each Indemnatee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnatee, incurred by any Indemnatee or asserted against any Indemnatee by any Person (including the Borrower or any other Loan Party) other than such Indemnatee and its Related Parties arising out of, in connection with, or as a result of (1) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (1) any Loan or the use or proposed use of the proceeds therefrom, or (1) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party, and regardless of whether any Indemnatee is a party thereto; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnatee or if the Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

13.3. Time of Essence . Time is of the essence for the performance of all obligations set forth in this Agreement.

13.4. Severability of Provisions . Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision. Without limiting the foregoing provisions of this Section, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited under or in connection with any Insolvency Proceeding, as determined in good faith by the Administrative Agent, then such provisions shall be deemed to be in effect only to the extent not so limited

13.5. Amendments and Waivers.

(a) Neither this Agreement, nor any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section. The Required Lenders and each Loan Party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Administrative Agent and each Loan Party to the relevant Loan Document may, from time to time, (i) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (ii) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any default or Event of Default and its consequences; provided that no such waiver and no such amendment, supplement or modification shall (A) forgive the principal amount or extend the final scheduled date of maturity of any Loan, reduce the stated rate of any interest or fee payable hereunder (except that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or fees for purposes of this clause (A)) or waive, postpone or extend the scheduled date

of any payment thereof, or alter the amount or extend the expiration date of any Lender's Revolving Commitment without the written consent of each Lender directly affected thereby; (B) eliminate or reduce the voting rights of any Lender under this Section without the written consent of such Lender; (C) amend the definition of Required Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release any of guarantors from their obligations under any guaranty, in each case without the written consent of all Lenders; (D) amend, modify or waive the pro rata requirements of Section 2.9 in a manner that adversely affects Lenders without the written consent of each Lender; (E) reduce the percentage specified in the definition of Required Lenders without the written consent of all Required Lenders; (F) amend, modify or waive any provision of Section 9 without the written consent of the Administrative Agent; or (G) amend or modify the application of payments set forth in Section 8.3 in a manner that adversely affects Lenders without the written consent of each Lender. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent, and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured during the period such waiver is effective; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

(b) Notwithstanding anything to the contrary contained in clause (a) above, in the event that the Borrower or any other Loan Party, as applicable, requests that this Agreement or any of the other Loan Documents, as applicable, be amended or otherwise modified in a manner which would require the consent of all of the Lenders and such amendment or other modification is agreed to by the Borrower and/or such other Loan Party, as applicable, the Required Lenders and the Administrative Agent, then, with the consent of the Borrower and/or such other Loan Party, as applicable, the Administrative Agent and the Required Lenders, this Agreement or such other Loan Document, as applicable, may be amended without the consent of the Lender or Lenders who are unwilling to agree to such amendment or other modification (each, a "**Minority Lender**"), to provide for:

(i) the termination of the Commitments of each such Minority Lender;

(ii) the assumption of the Loans and Commitments of each such Minority Lender by one or more Replacement Lenders pursuant to the provisions of Section 2.13; and

(iii) the payment of all interest, fees and other obligations payable or accrued in favor of each Minority Lender and such other modifications to this Agreement or to such Loan Documents as the Borrower, the Administrative Agent and the Required Lenders may determine to be appropriate in connection therewith.

(c) The Administrative Agent may, with the consent of the Borrower only, amend, modify or supplement this Agreement or any of the Loan Documents to cure any omission, mistake or defect.

(d) Notwithstanding any provision herein to the contrary but subject to the proviso in clause (a) above, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent, and the Borrower, (i) to add one or more additional credit or term loan facilities to this Agreement and to permit all such additional extensions of credit and all related obligations and liabilities arising in connection therewith and from time to time outstanding thereunder to share ratably (or on a basis subordinated to the existing facilities hereunder) in the benefits of this Agreement and the other Loan Documents with the

obligations and liabilities from time to time outstanding in respect of the existing facilities hereunder, and (ii) in connection with the foregoing, to permit, as deemed appropriate by the Administrative Agent and approved by the Required Lenders, the Lenders providing such additional credit facilities to participate in any required vote or action required to be approved by the Required Lenders.

13.6. Amendments in Writing, Integration. All amendments to or terminations of this Agreement or the other Loan Documents must be in writing. All prior agreements, understandings, representations, warranties, and negotiations between the parties hereto with respect to the subject matter of this Agreement and the other Loan Documents, if any, are merged into this Agreement and the Loan Documents.

13.7. Counterparts . This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Executed copies of the signature pages of this Agreement sent by facsimile or transmitted electronically in Portable Document Format (“ **PDF** ”), or any similar format, shall be treated as originals, fully binding and with full legal force and effect, and the parties waive any rights they may have to object to such treatment.

13.8. Survival . Each party’s obligations under this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Loan Documents, the termination of the Revolving Commitments and the Discharge of Obligations. The obligations of Borrower to indemnify Administrative Agent and Lenders with respect to the expenses, damages, losses, costs and liabilities described in Section 13.2 shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Administrative Agent or Lenders have run.

13.9. Confidentiality . In handling any confidential information, Administrative Agent and Borrower and all employees and agents of each such party shall exercise the same degree of care that such party exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any non-public information thereby received or received pursuant to this Agreement except that disclosure of such information may be made (1) in the case of Administrative Agent, to the subsidiaries or Affiliates of Administrative Agent or Borrower in connection with their present or prospective business relations with Borrower, (1) in the case of Administrative Agent, to prospective transferees or purchasers of any interest in the Credit Extensions, provided that they have entered into a comparable confidentiality agreement in favor of Borrower and have delivered a copy to Borrower, (1) as required by law, regulations, rule or order, subpoena, judicial order or similar order, (1) in the case of Administrative Agent, as may be required in connection with the examination, audit or similar investigation of Administrative Agent, and (1) as Administrative Agent may determine in connection with the enforcement of any remedies hereunder. Confidential information hereunder shall not include information that either: (1) is in the public domain or in the knowledge or possession of the receiving party when disclosed to such party, or becomes part of the public domain after disclosure to such receiving party through no fault of such receiving party; or (1) is disclosed to such receiving party by a third party, provided the receiving party does not have actual knowledge that such third party is prohibited from disclosing such information.

13.10. Costs and Expenses . The Borrower shall pay (1) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of in-house and outside counsel for the Administrative Agent), and shall pay all fees and time charges and disbursements for attorneys who may be employees of the Administrative Agent in connection with the syndication of the Facilities, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (1) all out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights (1) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (1) in connection with the Loans made or participated in hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

13.11. Reimbursement by Lenders . To the extent that the Borrower or any other Loan Party pursuant to any other Loan Document for any reason fails indefeasibly to pay any amount required under Section 13.2 and 13.10 to be paid by it to the Administrative Agent (or any sub-agent thereof) or any Related Party thereof, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party thereof, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Aggregate Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or against any Related Party thereof acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this Section are subject to the provisions of Section 2.11(e).

13.12. Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnatee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan, or the use of the proceeds thereof. No Indemnatee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

13.13. Adjustments; Set-off.

(a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender or to the Lenders under a particular Facility, if any Lender (a "**Benefitted Lender**") shall, at any time after the Loans and other amounts payable hereunder shall immediately become due and payable pursuant to Section 9.1(a), receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, or otherwise), in a greater proportion than any such payment to or collateral

received by any other Lender, if any, in respect of the Obligations owing to such other Lender, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of the Obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) Upon (i) the occurrence and during the continuance of any Event of Default and (ii) obtaining the prior written consent of the Administrative Agent, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, without prior notice to the Borrower or any other Loan Party, any such notice being expressly waived by the Borrower and each Loan Party, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, at any time held or owing, and any other credits, indebtedness, claims or obligations, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender, its Affiliates or any branch or agency thereof to or for the credit or the account of the Borrower or any other Loan Party, as the case may be, against any and all of the obligations of the Borrower or such other Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender or its Affiliates, irrespective of whether or not such Lender or Affiliate shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such other Loan Party may be contingent or unmatured or are owed to a branch, office or Affiliate of such Lender different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness; provided, that in the event that any Defaulting Lender or any of its Affiliates shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.13 and, pending such payment, shall be segregated by such Defaulting Lender or Affiliate thereof from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender or Affiliate thereof as to which it exercised such right of setoff. Each Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application made by such Lender or any of its Affiliates; provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of set-off) which such Lender or its Affiliates may have.

13.14. Acknowledgements . The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) none of the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Administrative Agent and Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

13.15. Payments Set Aside . To the extent that any payment or transfer by or on behalf of the Borrower is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or transfer or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (1) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (1) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Effective Rate from time to time in effect. This Section shall survive the Discharge of Obligations.

13.16. Releases of Guarantees and Liens.

(a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender except as expressly required by Section 13.5) to take any action requested by the Borrower having the effect of releasing any Collateral or Obligations (1) to the extent necessary to permit consummation of any transaction not prohibited by any Loan Document or that has been consented to in accordance with Section 13.5 or (2) under the circumstances described in clause (b) below.

(b) Upon the Discharge of Obligations, the Collateral shall be released from the Liens created hereunder and the other Loan Documents and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Loan Party shall terminate, all without delivery of any instrument or performance of any act by any Person.

13.17. Patriot Act. Each Lender and the Administrative Agent (for itself and not on behalf of any other party) hereby notifies Borrower that, pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies Borrower, which information includes the names and addresses and other information that will allow such Lender or the Administrative Agent, as applicable, to identify Borrower in accordance with the Patriot Act. Borrower will, and will cause each of its respective Subsidiaries to, provide, to the extent commercially reasonable or required by any Requirement of Law, such information and take such actions as are reasonably requested by the Administrative Agent or any Lender to assist the Administrative Agent and the Lenders in maintaining compliance with the Patriot Act.

13.18. Acknowledgment and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an EEA Financial Institution arising under any Loan Document, to the extent such liability

is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an EEA Financial Institution; and
- (b) the effects of any Bail-in Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

14. CO-BORROWER PROVISIONS.

14.1. Primary Obligation . This Agreement is a primary and original obligation of each Borrower and shall remain in effect notwithstanding future changes in conditions, including any change of law or any invalidity or irregularity in the creation or acquisition of any Obligations or in the execution or delivery of any agreement between Administrative Agent and any Borrower. Each Borrower shall be liable for existing and future Obligations as fully as if all of all Credit Extensions were advanced to such Borrower. Administrative Agent may rely on any certificate or representation made by any Borrower as made on behalf of, and binding on, all Borrowers, including, without, limitation Payment Advance Forms, Borrowing Base Certificates and Compliance Certificates.

14.2. Enforcement of Rights . Borrowers are jointly and severally liable for the Obligations and Administrative Agent may proceed against one or more of Borrowers to enforce the Obligations without waiving its right to proceed against any of the other Borrowers.

14.3. Borrowers as Agents . Each Borrower appoints the other Borrower as its agent with all necessary power and authority to give and receive notices, certificates or demands for and on behalf of both Borrowers, to act as disbursing agent for receipt of any Credit Extensions on behalf of each Borrower and to apply to Administrative Agent on behalf of each Borrower for Credit Extensions, any waivers and any consents. This authorization cannot be revoked, and Administrative Agent need not inquire as to each Borrower's authority to act for or on behalf of Borrower.

14.4. Subrogation and Similar Rights . Notwithstanding any other provision of this Agreement or any other Loan Document, each Borrower irrevocably waives all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrower to the rights of Administrative Agent under the Loan Documents) to seek contribution, indemnification, or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrower with respect to the Obligations in connection with the Loan Documents or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by

Borrower with respect to the Obligations in connection with the Loan Documents or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section 14.4 shall be null and void. If any payment is made to a Borrower in contravention of this Section 14.4, such Borrower shall hold such payment in trust for Administrative Agent and such payment shall be promptly delivered to Administrative Agent for application to the Obligations, whether matured or unmatured.

14.5. Waivers of Notice . Except as otherwise provided in this Agreement, each Borrower waives notice of acceptance hereof; notice of the existence, creation or acquisition of any of the Obligations; notice of an Event of Default; notice of the amount of the Obligations outstanding at any time; notice of intent to accelerate; notice of acceleration; notice of any adverse change in the financial condition of any other Borrower or of any other fact that might increase Borrower's risk; presentment for payment; demand; protest and notice thereof as to any instrument; default; and all other notices and demands to which Borrower would otherwise be entitled. Each Borrower waives any defense arising from any defense of any other Borrower, or by reason of the cessation from any cause whatsoever of the liability of any other Borrower. Administrative Agent's failure at any time to require strict performance by any Borrower of any provision of the Loan Documents shall not waive, alter or diminish any right of Administrative Agent thereafter to demand strict compliance and performance therewith. Nothing contained herein shall prevent Administrative Agent from foreclosing on the Lien of any deed of trust, mortgage or other security instrument, or exercising any rights available thereunder, and the exercise of any such rights shall not constitute a legal or equitable discharge of any Borrower. Each Borrower also waives any defense arising from any act or omission of Administrative Agent that changes the scope of Borrower's risks hereunder.

14.6. Subrogation Defenses . Each Borrower hereby waives any defense based on impairment or destruction of its subrogation or other rights against any other Borrower and waives all benefits which might otherwise be available to it under any statutory or common law suretyship defenses or marshalling rights, now and hereafter in effect.

14.7. Right to Settle, Release.

(a) The liability of Borrowers hereunder shall not be diminished by (i) any agreement, understanding or representation that any of the Obligations is or was to be guaranteed by another Person or secured by other property, or (ii) any release or unenforceability, whether partial or total, of rights, if any, which Administrative Agent may now or hereafter have against any other Person, including another Borrower, or property with respect to any of the Obligations.

(b) Without affecting the liability of any Borrower hereunder, Administrative Agent may (iii) compromise, settle, renew, extend the time for payment, change the manner or terms of payment, discharge the performance of, decline to enforce, or release all or any of the Obligations with respect to a Borrower, (iv) grant other indulgences to a Borrower in respect of the Obligations, (v) modify in any manner any documents relating to the Obligations with respect to a Borrower, (vi) release, surrender or exchange any deposits or other property securing the Obligations, whether pledged by a Borrower or any other Person, or (vii) compromise, settle, renew, or extend the time for payment, discharge the performance of, decline to enforce, or release all or any obligations of any guarantor, endorser or other Person who is now or may hereafter be liable with respect to any of the Obligations.


14.8. Subordination . All indebtedness of a Borrower now or hereafter arising held by another Borrower is subordinated to the Obligations and Borrower holding the indebtedness shall take all actions reasonably requested by Administrative Agent to effect, to enforce and to give notice of such subordination.

[SIGNATURE PAGES FOLLOW]


IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

BORROWER:

TRUPANION, INC.

By: 
Name: Darryl Rawlings
Title: President and CEO

TRUPANION MANAGERS USA, INC.

By: 
Name: Darryl Rawlings
Title: President

ADMINISTRATIVE AGENT:

PACIFIC WESTERN BANK, as the Administrative Agent

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

BORROWER:

TRUPANION, INC.


By: _____
Name: _____
Title: _____

TRUPANION MANAGERS USA, INC.

By: _____
Name: _____
Title: _____


ADMINISTRATIVE AGENT:

PACIFIC WESTERN BANK, as the Administrative Agent

By:  _____
Name: Adam Glick
Title: SVP

LENDERS:

PACIFIC WESTERN BANK, as a Lender

By: 
Name: Adam Glick
Title: SVP

WESTERN ALLIANCE BANK, as a Lender

By: _____
Name: _____
Title: _____

LENDERS:

PACIFIC WESTERN BANK, as a Lender

By: _____

Name: _____

Title: _____

WESTERN ALLIANCE BANK, as a Lender

By:  _____

Name: Jeff Brown

Title: VP Team Leader

EXHIBIT A

DEBTOR: TRUPANION, INC. AND TRUPANION MANAGERS USA, INC.

SECURED PARTY: PACIFIC WESTERN BANK, as administrative agent, for itself and for the ratable benefit of the Lenders

COLLATERAL DESCRIPTION ATTACHMENT TO LOAN AND SECURITY AGREEMENT

All personal property of Borrower (herein referred to as “ **Borrower** ” or “ **Debtor** ”) whether presently existing or hereafter created or acquired, and wherever located, including, but not limited to:

(g) all accounts (including health-care-insurance receivables), chattel paper (including tangible and electronic chattel paper), deposit accounts, documents (including negotiable documents), equipment (including all accessions and additions thereto), financial assets, general intangibles (including patents, trademarks, copyrights, goodwill, payment intangibles, domain names and software), goods (including fixtures), instruments (including promissory notes), inventory (including all goods held for sale or lease or to be furnished under a contract of service, and including returns and repossessions), investment property (including securities and securities entitlements), letter of credit rights, money, and all of Debtor’s books and records with respect to any of the foregoing, and the computers and equipment containing said books and records;

(h) any and all cash proceeds and/or noncash proceeds of any of the foregoing, including, without limitation, insurance proceeds, and all supporting obligations and the security therefor or for any right to payment. All terms above have the meanings given to them in the New York Uniform Commercial Code, as amended or supplemented from time to time, including revised Division 9 of the Uniform Commercial Code-Secured Transactions.

EXHIBIT B

LOAN ADVANCE / PAYDOWN REQUEST FORM

[Please refer to New Borrower Kit]

1

loan advance / paydown request

Sent to | Date | Time |

Requested Transaction

BORROWER	Trupanion, Inc.	REQUESTED TRANSACTION TYPE	DOLLAR AMOUNT
FROM Account No.		Principle Increase (Advance)	
TO Account No.		Principle Payment (Only)	\$ -
X		Other Instructions:	
borrower authorized signature			
authorized requestor	phone number		

All representations and warranties of Borrower stated in the Loan Agreement are true, correct and complete in all material respects as of the date of the telephone request for, and advance confirmed by, this Borrowing Certificate; provided that those representations and warranties of the date expressly referring to another date shall be true, correct and complete in all material respects as of such date.

Outgoing Wire Transfer Instructions

Is there a wire request tied to this loan advance? Please circle:

YES NO

All items below must be completed.

WIRE AMOUNT	\$	ADVANCE TYPE	<input type="checkbox"/> E/squared	<input type="checkbox"/> Manual PIN
Beneficiary Name		ABA Routing No. (9 digits)		
Beneficiary Account No.		Receiving Institution Name		
Beneficiary Address		Receiving Institution Address		
COMMENTS TO BENEFICIARY				

For Bank Use Only

TRANSACTION REQUEST	OUTGOING WIRE TRANSFER
date received	X
time received	wire approval signature
comp. status	wire posted
status date	YES NO
X	date
analyst signature	time
X	
manager's approval signature	
TELEPHONE REQUEST	
received by	p. bal.
	p. no.
	p. notes

EXHIBIT C

FORM OF BORROWING BASE CERTIFICATE

[Please refer to New Borrower Kit]



Borrowing Base Certificate

Borrower | TRUPANION, INC. **Commitment Amount |** \$30,000,000

Cash, Cash Equivalents, and Investments as of date |

1. American Pet Insurance Company (APIC) Cash and Cash Equivalents*	\$ -
2. American Pet Insurance Company (APIC) Investment Assets*	\$ -
3. TOTAL	\$ -

*Excludes custodial accounts and assets held in trust.

Balances

4. Maximum Loan Amount	\$ 30,000,000.00	
5. Total Funds Available (the lesser of #3 or #4)	\$ -	
6. Present balance outstanding on Line of Credit	\$ -	
7. Outstandings under Sublimits (Letters of Credit, etc.)	\$ -	
8. Reserve Position (#5 minus #6 and #7)	\$ -	

The undersigned represents and warrants that the foregoing is true, complete and correct, and that the information reflected in this Borrowing Base Certificate complies with the representations and warranties set forth in the Loan & Security Agreement between the undersigned and Square 1 Bank.

Comments

X

authorized signature

name |

title |

bank Square 1 Bank
address ATTN: Portfolio Analysis Dept.
406 Blackwell St. Suite 240
Durham, NC 27701
web link www.square1bank.com
phone 866.355.0468
fax 919.314.3090
email syndicationsreports@square1bank.com

EXHIBIT D

FORM OF COMPLIANCE CERTIFICATE

[Please refer to New Borrower Kit]

Borrower | TRUPANION, INC.

The undersigned authorized Officer of Trupanion, Inc. ("Borrower"), hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending 10/31/2016 (th all covenants except as noted below; and (ii) all representations and warranties of Borrower stated on the Agreement are true and correct as of the date hereof. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next, except as explained in an accompanying letter or footnotes.

Reporting Covenants:

Please indicate compliance status by circling YES or NO under the COMPLIES column.

COVENANTS	REQUIRED	COMPLIES	
Consolidated and consolidating monthly financial statements	Monthly, within 30 days	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copies of account statements for funds outside of the Bank	Monthly, within 30 days	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Cash Statement of APIC	Monthly, within 5 days of month end	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Status Report on rate increase requests pending and to be initiated	Quarterly, within 30 days	<input type="checkbox"/> YES	<input type="checkbox"/> NO
NAIC Quarterly statements	Quarterly, within 45 days	<input type="checkbox"/> YES	<input type="checkbox"/> NO
NAIC Annual statement	Annually within 60 days of year end	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Claims Ratio Report	Quarterly, within 45 days	<input type="checkbox"/> YES	<input type="checkbox"/> NO
IP Reporting	Quarterly, within 30 days	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Annual (CPA Audited) Consolidated GAAP Financials	FYE within 180 days	<input type="checkbox"/> YES	<input type="checkbox"/> NO
BOD Annual Operating Budget	February 15th, Annually	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Budgets & Sales Projections or other Financial Exhibits	(as applicable)	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Total amount of Borrower's Cash and Investments	Amount \$ _____	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Total amount of Borrower's Cash and Investments	Amount \$ _____	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Maintained with Bank		<input type="checkbox"/> YES	<input type="checkbox"/> NO

Financial Covenants:

Please list financial covenants below and circle YES or NO under the COMPLIES column.

COVENANTS	COMPLIES	
Please see covenant worksheet 4a)	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Please see covenant worksheet 4b)	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Minimum Cash at Participating Lenders of no less than \$2,000,000	<input type="checkbox"/> YES	<input type="checkbox"/> NO

Please enter comments regarding covenant violations

By signing below, the Officers further acknowledge that at any time Borrower is not in compliance with all the terms set forth in the Agreement, including, without limitation, the financial covenants, and such non-compliance results in a Default or Event of Default and such Default or Event of Default is continuing, then no credit extensions will be made.

X

authorized signature

name:

title:

Please Send All Required Reporting to:

address Square 1 Bank
ATTN: Portfolio Analysis Dept.
406 Blackwell Street, Suite 240
Durham, NC 27701
web link www.square1bank.com
phone 866.355.0468
fax 919.314.3090
email syndicationsreports@square1bank.com

For Bank Use Only

received by	date	reviewed by	date
financial compliance status:	YES	NO	

EXHIBIT E

U.S. TAX COMPLIANCE CERTIFICATE

[See Attached]

FORM OF U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Not Partnerships for U.S. Federal Income Tax Purposes)

[*Date*]

Reference is made to that certain Loan and Security Agreement, dated as of October __, 2016 (as amended, supplemented or otherwise modified from time to time, the “ ***Loan Agreement*** ”), among **TRUPANION, INC.** , a Delaware corporation (“ ***Trupanion*** ”), and **TRUPANION MANAGERS USA, INC.** , an Arizona corporation (“ ***Trupanion Managers*** ”; individually and collectively, “ ***Borrower*** ”), the Lenders party thereto, and **PACIFIC WESTERN BANK** , a California state chartered bank, as Administrative Agent for such Lenders (in such capacity; the “ ***Administrative Agent*** ”).

Pursuant to the provisions of 2.9(f) of the Loan Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of a Borrower (or, if Borrower is disregarded as an entity separate from its owner for U.S. federal income tax purposes, Borrower’s tax owner for U.S. federal income tax purposes) within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to a Borrower (or, if Borrower is disregarded as an entity separate from its owner for U.S. federal income tax purposes, Borrower’s tax owner for U.S. federal income tax purposes) as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed and delivered by its proper and duly authorized signatory as of the day and year first written above.

[Name of Lender]

By ____
Name:
Title:

FORM OF U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Not Partnerships for U.S. Federal Income Tax Purposes)

[*Date*]

Reference is made to that certain Loan and Security Agreement, dated as of October __, 2016 (as amended, supplemented or otherwise modified from time to time, the “ ***Loan Agreement*** ”), among **TRUPANION, INC.** , a Delaware corporation (“ ***Trupanion*** ”), and **TRUPANION MANAGERS USA, INC.** , an Arizona corporation (“ ***Trupanion Managers*** ”; individually and collectively, “ ***Borrower*** ”), the Lenders party thereto, and **PACIFIC WESTERN BANK** , a California state chartered bank, as Administrative Agent for such Lenders (in such capacity; the “ ***Administrative Agent*** ”).

Pursuant to the provisions of 2.9(f) of the Loan Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of a Borrower (or, if Borrower is disregarded as an entity separate from its owner for U.S. federal income tax purposes, Borrower’s tax owner for U.S. federal income tax purposes) within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to a Borrower (or, if Borrower is disregarded as an entity separate from its owner for U.S. federal income tax purposes, Borrower’s tax owner for U.S. federal income tax purposes) as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed and delivered by its proper and duly authorized signatory as of the day and year first written above.

[Name of Participant]

By ____
Name:
Title:

FORM OF U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Partnerships for U.S. Federal Income Tax Purposes)

[*Date*]

Reference is made to that certain Loan and Security Agreement, dated as of October __, 2016 (as amended, supplemented or otherwise modified from time to time, the “ ***Loan Agreement*** ”), among **TRUPANION, INC.** , a Delaware corporation (“ ***Trupanion*** ”), and **TRUPANION MANAGERS USA, INC.** , an Arizona corporation (“ ***Trupanion Managers*** ”; individually and collectively, “ ***Borrower*** ”), the Lenders party thereto, and **PACIFIC WESTERN BANK** , a California state chartered bank, as Administrative Agent for such Lenders (in such capacity; the “ ***Administrative Agent*** ”).

Pursuant to the provisions of 2.9(f) of the Loan Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect to such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of a Borrower (or, if Borrower is disregarded as an entity separate from its owner for U.S. federal income tax purposes, Borrower’s tax owner for U.S. federal income tax purposes) within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to a Borrower (or, if Borrower is disregarded as an entity separate from its owner for U.S. federal income tax purposes, Borrower’s tax owner for U.S. federal income tax purposes) as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its direct or indirect partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, from each of such partner’s/member’s beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed and delivered by its proper and duly authorized signatory as of the day and year first written above.

[Name of Participant]

By ____
Name:
Title:

FORM OF U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Partnerships for U.S. Federal Income Tax Purposes)

[*Date*]

Reference is made to that certain Loan and Security Agreement, dated as of October __, 2016 (as amended, supplemented or otherwise modified from time to time, the “ ***Loan Agreement*** ”), among **TRUPANION, INC.** , a Delaware corporation (“ ***Trupanion*** ”), and **TRUPANION MANAGERS USA, INC.** , an Arizona corporation (“ ***Trupanion Managers*** ”; individually and collectively, “ ***Borrower*** ”), the Lenders party thereto, and **PACIFIC WESTERN BANK** , a California state chartered bank, as Administrative Agent for such Lenders (in such capacity; the “ ***Administrative Agent*** ”).

Pursuant to the provisions of 2.9(f) of the Loan Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to the Loan Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of a Borrower (or, if Borrower is disregarded as an entity separate from its owner for U.S. federal income tax purposes, Borrower’s tax owner for U.S. federal income tax purposes) within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to a Borrower (or, if Borrower is disregarded as an entity separate from its owner for U.S. federal income tax purposes, Borrower’s tax owner for U.S. federal income tax purposes) as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its direct or indirect partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, from each of such partner’s/member’s beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed and delivered by its proper and duly authorized signatory as of the day and year first written above.

[Name of Lender]

By ____
 Name:
 Title:

EXHIBIT F
FORM OF REVOLVING LOAN NOTE
[See Attached]

REVOLVING NOTE

\$20,000,000.00 December 16, 2016

FOR VALUE RECEIVED, TRUPANION, INC., a Delaware corporation (Trupanion), and TRUPANION MANAGERS USA, INC., an Arizona corporation (Trupanion Managers; together with Trupanion, individually and collectively, the Borrower), jointly and severally, promise to pay to the order of PACIFIC WESTERN BANK, a California state chartered bank (the Lender), at the place and times provided in the Loan Agreement (as hereinafter defined), the principal sum of TWENTY MILLION AND NO/100 DOLLARS (\$20,000,000.00) or, if less, the unpaid principal amount of all Revolving Loans made by the Lender from time to time pursuant to the Loan Agreement. The Borrower promises to pay interest on the unpaid principal amount of this Revolving Note on the dates and at the rate or rates provided for in the Loan Agreement, including the default rate set forth in Section 2.5(b) of the Loan Agreement, if applicable.

This Revolving Note evidences the obligations of the Borrower to the Lender with respect to its Revolving Loans made pursuant to that certain Loan and Security Agreement dated as of December 16, 2016 by and among the Borrower, the Lender and all the other lenders that are parties thereto from time to time, and PACIFIC WESTERN BANK, as Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the Loan Agreement). Capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Loan Agreement. Reference is made to the Loan Agreement for provisions for the prepayment and the repayment of Revolving Loans and the acceleration of the maturity of Revolving Loans. All payments of principal and interest on this Revolving Note shall be payable in lawful currency of the United States in immediately available funds in the matter set forth in the Loan Agreement. The Borrower hereby waives all requirements as to diligence, presentment, demand of payment, protest and (except as required by the Loan Agreement) notice of any kind with respect to this Revolving Note.

THIS REVOLVING NOTE SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ANY OTHER CONFLICTS OR CHOICE OF LAW PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the Borrower has caused this Revolving Note to be duly executed and delivered by its authorized officer, member or manager, as applicable, all as of the day and year first above written.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Revolving Note to be executed as of the date first above written.

TRUPANION, INC.,
a Delaware corporation

By: 

Name: Darryl Rawlings

Title: President and CEO

TRUPANION MANAGERS USA, INC.,
an Arizona corporation

By: 

Name: Darryl Rawlings

Title: President

REVOLVING NOTE

\$10,000,000.00 December 16, 2016

FOR VALUE RECEIVED, TRUPANION, INC., a Delaware corporation (Trupanion), and TRUPANION MANAGERS USA, INC., an Arizona corporation (Trupanion Managers; together with Trupanion, individually and collectively, the Borrower), jointly and severally, promise to pay to the order of WESTERN ALLIANCE BANK, an Arizona corporation (the Lender), at the place and times provided in the Loan Agreement (as hereinafter defined), the principal sum of TEN MILLION AND NO/100 DOLLARS (\$10,000,000.00) or, if less, the unpaid principal amount of all Revolving Loans made by the Lender from time to time pursuant to the Loan Agreement. The Borrower promises to pay interest on the unpaid principal amount of this Revolving Note on the dates and at the rate or rates provided for in the Loan Agreement, including the default rate set forth in Section 2.5(b) of the Loan Agreement, if applicable.

This Revolving Note evidences the obligations of the Borrower to the Lender with respect to its Revolving Loans made pursuant to that certain Loan and Security Agreement dated as of December 16, 2016 by and among the Borrower, the Lender and all the other lenders that are parties thereto from time to time, and PACIFIC WESTERN BANK, as Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the Loan Agreement). Capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Loan Agreement. Reference is made to the Loan Agreement for provisions for the prepayment and the repayment of Revolving Loans and the acceleration of the maturity of Revolving Loans. All payments of principal and interest on this Revolving Note shall be payable in lawful currency of the United States in immediately available funds in the matter set forth in the Loan Agreement. The Borrower hereby waives all requirements as to diligence, presentment, demand of payment, protest and (except as required by the Loan Agreement) notice of any kind with respect to this Revolving Note.

THIS REVOLVING NOTE SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ANY OTHER CONFLICTS OR CHOICE OF LAW PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the Borrower has caused this Revolving Note to be duly executed and delivered by its authorized officer, member or manager, as applicable, all as of the day and year first above written.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Revolving Note to be executed as of the date first above written.

TRUPANION, INC.,
a Delaware corporation

By: 

Name: Darryl Rawlings
Title: President and CEO

TRUPANION MANAGERS USA, INC.,
an Arizona corporation

By: 

Name: Darryl Rawlings
Title: President

SCHEDULE 1.1

COMMITMENTS AND COMMITMENT PERCENTAGES

REVOLVING COMMITMENTS

<u>Lender</u>	<u>Revolving Commitment</u>	<u>Revolving Percentage</u>
Pacific Western Bank	\$20,000,000	66.66%
Western Alliance Bank	\$10,000,000	33.33%
Total	\$30,000,000	100.000000000%

SCHEDULE OF EXCEPTIONS AND DISCLOSURES

DISCLOSURE SCHEDULE

to the

LOAN AND SECURITY AGREEMENT

Dated as of December 13, 2016

Among

Trupanion, Inc. and Trupanion Managers, USA, Inc.,
as the Borrowers,

and

Pacific Western Bank,
as Administrative Agent

INTRODUCTION TO SCHEDULES

Reference is made to the Loan and Security Agreement (the “ **Agreement** ”) of even date by and among TRUPANION, INC., a Delaware corporation (“ **Trupanion** ”), TRUPANION MANAGERS USA, INC., an Arizona corporation (“ **Trupanion Managers** ”); together with Trupanion, individually and collectively, “ **Borrower** ”), the several banks and other financial institutions or entities from time to time party to this Agreement (each a “ **Lender** ” and, collectively, the “ **Lenders** ”), PACIFIC WESTERN BANK, a California state chartered bank (“ **PWB** ”), as a Lender and as administrative agent and collateral agent for the Lenders (in such capacities, the “ **Administrative Agent** ”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Agreement.

Each Schedule (and collectively, “ **Schedules** ”) is qualified in their entirety by reference to specific provisions of the Agreement, and are not intended to constitute, and shall not be construed as constituting, representations or warranties of the Trupanion, Trupanion Managers or any other Person except as and to the extent provided in the Agreement.

Any disclosure made in these Schedules is deemed disclosed for purposes of all relevant sections or subsections of the Agreement and these Schedules to the extent that that there are appropriate cross references or such disclosure is sufficiently detailed so as to be manifest on its face that such disclosure is relevant and responsive to such other sections or subsections.

The disclosure of any matter in any Schedule shall not be deemed to constitute an admission by the Trupanion or Trupanion Managers or to otherwise imply that any such matter is material to the Trupanion or Trupanion Managers for the purposes of the Agreement.

Matters reflected in these Schedules are not necessarily limited to matters required by the Agreement to be reflected in these Schedules. Any such additional matters are set forth for information purposes and do not necessarily include other matters of a similar nature.

Headings have been inserted on the sections in these Schedules for convenience of referral only and shall to no extent have the effect of amending or changing the express description of the sections set forth in the Agreement.

List of Schedules

Schedule 5.4	Intellectual Property Collateral
Schedule 5.5	Name; Location of Chief Executive Office
Schedule 5.16	Capitalization (Beneficial Owners of Capital Stock of Subsidiaries)
Schedule A-1	Permitted Indebtedness
Schedule A-2	Permitted Investment
Schedule A-3	Permitted Liens

Schedule 5.4
Intellectual Property Collateral

Title	Country	Appl'n Serial No. Filing Date	Patent No. Issue Date	Status
Pet Insurance System and Method 991110	US	61/801,404 3/15/2013	N/A	Converted to US utility and PCT below.
Pet Insurance System and Method 995110	PCT	US14/27042 3/14/2014	N/A	Filed into national countries
Pet Insurance User Interface (Paw Prints user interface design) 995100	EPC (Europe)	2308841 9/13/2013	002308841- 00001 09/13/2013	Issued.
Pet Insurance User Interface (Paw Prints user interface design) 991100	US	29/449,619 3/15/2013	N/A	Pending.
Pet Insurance System and Method 991111	US	14/210,079 3/13/2014	N/A	Pending.
Pet Insurance System and Method 991112	US CIP Track One	14/924,606 10/27/2015	N/A	Pending.
Pet Insurance System and Method 995111	Canada	2,907,162 3/14/2014	N/A	Pending.
Pet Insurance System and Method 995112	Brazil	BR1120150237703 3/14/2014	N/A	Pending.
Pet Insurance System and Method 995113	Japan	NYA 3/14/2014	N/A	Pending.
Pet Insurance System and Method 995114	China	201480027810.4 3/14/2014	N/A	Pending.
Pet Insurance System and Method 995115	EPO	14770490.2 3/14/2014	N/A	Pending.
Pet Insurance System and Method 995116	Hong Kong	16109621.0 8/12/2016	N/A	Pending.

Schedule 5.5

Name; Location of Chief Executive Office

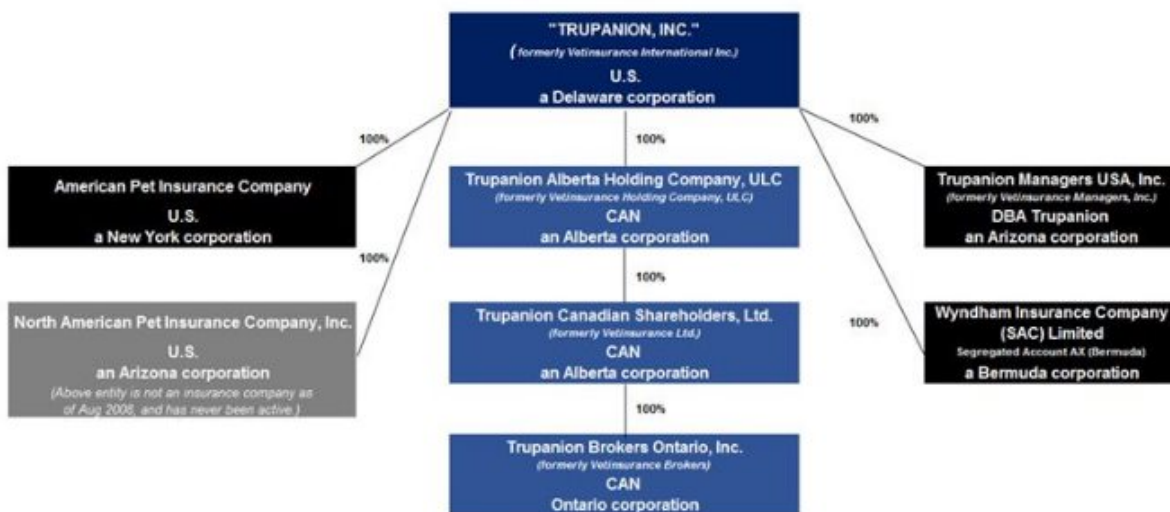
Trupanion, Inc. was previously named Vetinsurance International, Inc.

Trupanion Managers USA, Inc. was previously named Vetinsurance Managers, Inc.

Trupanion, Inc., Trupanion Managers USA, Inc. and Trupanion Brokers Ontario Inc. currently do business as “Trupanion” and previously have done business under other names including, primarily, “Vetinsurance”.

Schedule 5.16
Capitalization
(Beneficial Owners of All Capital Stock of the Subsidiaries)

Trupanion's structure is attached below. Trupanion is the parent company and each entity is below is wholly owned by Trupanion.



Schedule A-1
Permitted Indebtedness

Indebtedness under the Lease Agreement Number 041146 dated April 12, 2016 with Farnam Street Financial. Aggregate indebtedness up to \$774,407

Directors and officer's insurance policy date July 17, 2016 financed with AFCO. Aggregate indebtedness of \$257,447.

Indebtedness under the Enterprise Enrollment Agreement with Microsoft for software licenses dated February 2014. Aggregated indebtedness up to \$170,642.

Indebtedness with IBM for software licenses dated 2015 and 2016. Aggregated indebtedness of \$102,304 and \$171,681, respectively.

Other material contractual commitments (not indebtedness, but commitments for future services):

Contract with Zuora, Inc. for billing services through 2020 for total contractual commitment of \$962,500

Contract with Sunguard for disaster recovery and storage services through 2019 for total contractual commitment of \$523,804.

Building lease for our executive office location in Seattle through 2026 for total commitment of \$20,969,962.

Schedule A-2
Permitted Investment

Institutional Investments:

Description	BANK	STATE	CUSIP	Purchased	Maturity	Rate	Par Value
US Treasury Notes	US Bank	New Mexico	912828J35	03/04/2016	02/28/2017	0.500%	105,000
US Treasury Notes	Century Trust	New Mexico	912828J92	03/16/2016	03/31/2017	0.500%	105,000
US Treasury Notes	Citibank	California	912828H78	07/28/2016	01/31/2017	0.500%	150,000
US Treasury Notes	FNBB	Arkansas	912828H78	07/28/2016	01/31/2017	0.500%	105,000
US Treasury Notes	Xerox	Massachusetts	912828H78	07/28/2016	01/31/2017	0.500%	150,000
US Treasury Notes	US Bank	Nevada	912828TG5	07/28/2016	07/31/2017	0.500%	200,000
US Treasury Notes	TD Wealth	New Hampshire	912828C73	09/15/2016	04/15/2017	0.875%	500,000
US Treasury Notes	US Bank	New York	912828SS0	10/31/2016	04/30/2017	0.875%	4,100,000
US Treasury Notes	US Bank	Oregon	912828SY7	12/02/2016	05/31/2017	0.625%	370,000
PR Elec Power	Puerto Rico	US Bank	74526QZC9	10/14/2010	07/01/2023	3.625%	1,000,000
Wells Fargo Adv Tr Pl Mm Ins	Georgia	US Bank	94975H296	n/a	n/a	n/a	100,015
First Amer Treas Oblig MMKT	North Carolina	US Bank	31846V419	n/a	n/a	n/a	300,000
WF Adv Heritage Money Mkt Inst	Virginia	Wells Fargo	949917397	n/a	n/a	n/a	250,000

Other Investments:

Investment in DataPoint LLC in the amount of \$300,000

Loans and advances to Territory Partners, total commitment of \$295,250.

Schedule A-3

Permitted Liens

None

**USA PATRIOT ACT
NOTICE
OF
CUSTOMER IDENTIFICATION**

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

WHAT THIS MEANS FOR YOU: when you open an account, we will ask your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

PACIFIC WESTERN BANK

AUTOMATIC DEBIT AUTHORIZATION

Member FDIC

To: **Pacific Western Bank**

Re: **Loan #** _____

You are hereby authorized and instructed to charge account No. _____ in the name of
TRUPANION, INC. and TRUPANION MANAGERS USA, INC.

for facility fees, principal, interest and other payments due on above referenced loan as set forth below and credit
the loan referenced above.

 X Debit the Facility Fee as it becomes due according to the terms of the Loan and Security
Agreement and any renewals or amendments thereof.

 X Debit each interest payment as it becomes due according to the terms of the Loan and
Security Agreement and any renewals or amendments thereof.

 X Debit each principal payment as it becomes due according to the terms of the Loan and
Security Agreement and any renewals or amendments thereof.

 X Debit each payment for Administrative Agent Expenses as it becomes due according to
the terms of the Loan and Security Agreement and any renewals or amendments thereof.

This Authorization is to remain in full force and effect until revoked in writing.

Borrower Signature	Date

We are excited to have you as a client of Square 1 Bank, a division of Pacific Western Bank! We'd love to spread the word about your success!

From press releases to mentions on social media sites, and all points in between, Square 1's marketing and communications team is constantly seeking new opportunities to promote our clients and to connect them to prospects, existing customers, and the larger entrepreneurial/venture capital community.

If you complete the authorization below and return it to us, you are authorizing us to reference and/or include your company as part of our marketing and advertising efforts without further review or advance approval by you. Please select all areas that you approve.

- ☐ All items listed below
- ☐ List company as a Square 1 customer on social media sites, including Twitter, LinkedIn, Facebook, Square 1's corporate blog, or any other social media site
- ☐ Press release including your company as a client of Square 1 Bank, a division of Pacific Western Bank (to include company name and description only; may appear alongside other clients)
- ☐ Press release including your company as a client of Square 1 Bank, a division of Pacific Western Bank (**general** press release not focused on your company, but referring to your company as a client, and including your company's name, description, and editorial comments; may appear alongside other clients)
- ☐ Provide quote for inclusion in a Square 1 issued press release
- ☐ Use of company name and logo in Square 1 marketing materials including corporate marketing collateral, website, social media sites, and other advertising campaigns
- ☐ Provide quotes for inclusion in Square 1 marketing materials including corporate marketing collateral, website, social media sites, and other advertising campaigns
- ☐ Customer case study/application brief (success story to be posted on website, included in press kits and/or pitched to publications as potential articles)
- ☐ Willing to participate in a video testimonial highlighting your banking relationship and experiences with Square 1's team, products, and services
- ☐ Other (please describe): _____

If you have questions, please contact your banker or our Marketing + Communications team at marketing@square1bank.com.

Please acknowledge your authorization by signing below:

Company Name: _____

Authorized Signer: _____

Name: _____

Title: _____

Date: _____

**AGREEMENT NUMBER: 2015003
ADDENDUM #2**

QUOTA SHARE REINSURANCE AGREEMENT

made between

OMEGA GENERAL INSURANCE COMPANY

(hereinafter referred to as the "Reinsured")

And

WYNDHAM INSURANCE COMPANY (SAC) LIMITED,

in respect of its Segregated Account AX (hereinafter referred to as the "Reinsurer")

WHEREAS the Reinsured and the Reinsurer entered into a Quota Share Reinsurance Agreement effective January 1, 2015;

AND WHEREAS the Reinsured and the Reinsurer now desire to further amend the Quota Share Reinsurance Agreement to take effect as of January 1, 2016;

In consideration of the covenants and agreements contained herein and for other good and valuable consideration, receipt and sufficiency of which is acknowledged, the parties agree as follows:

Amendment of Article 8

Effective January 1, 2016, Article 8 of the Quota Share Reinsurance Agreement is hereby deleted in its entirety, and the following shall be substituted in its place:

ARTICLE 8 CEDING COMMISSION

The Reinsurer will allow the Reinsured a "**Ceding Commission**" equal to the sum of:

- A. 100% of the commission charged by the producing Broker, plus;
- B. 3.75% of gross premium on the subject Business, representing reimbursement for premium taxes, plus;
- C. \$800,000 for the calendar year ended December 31, 2016, representing the Reinsured's "**Fronting Fee**".

The Fronting Fee component of the Ceding Commission shall be payable in monthly instalments of \$58,333.33 for the first six months of 2016 and \$75,000.00 for the second six months of 2016.

The Fronting Fee component of the Ceding Commission is intended to represent approximately 1.75%

of gross premium on the estimated volume of subject Business. The Fronting Fee component of the Ceding Commission will be renegotiated annually, no later than 90 days prior to the calendar year end, or any time during the year when projected gross premiums on the subject Business vary by 15% from the estimated volume of subject Business.

SIGNED this 17th day of February, 2016;

For the Reinsured, OMEGA GENERAL INSURANCE COMPANY



By: Philip H. Cook

SIGNED this 17 day of February, 2016;

For the Reinsurer, WYNDHAM INSURANCE SOMpany (SAC) LIMITED, in respect of its segregated account AX



By:

**AGREEMENT NUMBER: 2015003
ADDENDUM #3**

QUOTA SHARE REINSURANCE AGREEMENT

made between

OMEGA GENERAL INSURANCE COMPANY

(hereinafter referred to as the “Reinsured”)

and

WYNDHAM INSURANCE COMPANY (SAC) LIMITED,

in respect of its Segregated Account AX (hereinafter referred to as the “Reinsurer”)

WHEREAS the Reinsured and the Reinsurer entered into a Quota Share Reinsurance Agreement effective January 1, 2015;

AND WHEREAS the Reinsured and the Reinsurer now desire to further amend the Quota Share Reinsurance Agreement to take effect as of January 1, 2017;

In consideration of the covenants and agreements contained herein and for other good and valuable consideration, receipt and sufficiency of which is acknowledged, the parties agree as follows:

Amendment of Article 8

Effective January 1, 2017, Article 8 of the Quota Share Reinsurance Agreement is hereby deleted in its entirety, and the following shall be substituted in its place:

ARTICLE 8 CEDING COMMISSION

The Reinsurer will allow the Reinsured a “ **Ceding Commission** ” equal to the sum of:

- A. 100% of the commission charged by the producing Broker, plus;
- B. 4.00% of gross premium on the subject Business, representing reimbursement for premium taxes, plus;
- C. \$930,000 for the calendar year ended December 31, 2017, representing the Reinsured’s “ **Fronting Fee** ”.

The Fronting Fee component of the Ceding Commission shall be payable in monthly instalments of \$77,500.00.

The Fronting Fee component of the Ceding Commission is intended to represent approximately 1.6667% of gross premium on the estimated volume of subject Business, less a \$20,000 special project allowance for 2017. The Fronting Fee component of the Ceding Commission will be renegotiated annually, no later than 90 days prior to the calendar year end, or any time during the year when projected gross premiums on the subject Business vary by 15% from the estimated volume of subject Business.

SIGNED this 31st day of December, 2016;

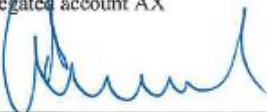
For the Reinsured, OMEGA GENERAL INSURANCE COMPANY



By: Philip H. Cook, Chief Executive Officer

SIGNED this 31st day of DECEMBER, 2016;

For the Reinsurer, WYNDHAM INSURANCE SOMpany (SAC) LIMITED, in respect of its segregated account AX



By: PRESIDENT

List of Subsidiaries of Trupanion, Inc.

<u>Subsidiary</u>	<u>Incorporation</u>
American Pet Insurance Company	United States, New York
Trupanion Managers USA, Inc.	United States, Arizona
Trupanion Brokers Ontario, Inc.	Canada, Ontario
Wyndham Insurance Company (SAC), Ltd.	Bermuda

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-197514) pertaining to the 2014 Equity Incentive Plan, 2014 Employee Stock Purchase Plan, and 2007 Equity Compensation Plan of Trupanion, Inc.,
- (2) Registration Statement (Form S-8 No. 333-202270) pertaining to the 2014 Equity Incentive Plan and 2014 Employee Stock Purchase Plan of Trupanion, Inc., and
- (3) Registration Statement (Form S-8 No. 333-209550) pertaining to the 2014 Equity Incentive Plan and 2014 Employee Stock Purchase Plan of Trupanion, Inc.

of our report dated February 15, 2017, with respect to the consolidated financial statements and schedule of Trupanion, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Seattle, Washington

February 15, 2017

**Certification of Principal Executive Officer
Pursuant To Exchange Act Rule 13a-14(a)/15d-14a
As Adopted Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002**

I, Darryl Rawlings, certify that:

1. I have reviewed this Annual Report on Form 10-K of Trupanion, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2017

/s/ Darryl Rawlings

Darryl Rawlings
Chief Executive Officer and President
(Principal Executive Officer)

**Certification of Principal Financial Officer
Pursuant To Exchange Act Rule 13a-14(a)/15d-14a
As Adopted Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002**

I, Tricia Plouf, certify that:

1. I have reviewed this Annual Report on Form 10-K of Trupanion, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2017

/s/ Tricia Plouf

Tricia Plouf
Chief Financial Officer
(Principal Financial Officer)

**Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Darryl Rawlings, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Annual Report of Trupanion, Inc. on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Trupanion, Inc.

Date: February 15, 2017

/s/ Darryl Rawlings

Darryl Rawlings
Chief Executive Officer and President
(Principal Executive Officer)

**Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Tricia Plouf, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Annual Report of Trupanion, Inc. on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Trupanion, Inc.

Date: February 15, 2017

/s/ Tricia Plouf

Tricia Plouf
Chief Financial Officer
(Principal Financial Officer)