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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

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: 001-36709

SIENTRA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-5551000**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
420 South Fairview Avenue, Suite 200 Santa Barbara, California	**93117**
(Address of Principal Executive Offices)	(Zip Code)

(805) 562-3500

(Registrant's Telephone Number, Including Area Code)

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of May 5, 2017, the number of outstanding shares of the registrant's common stock, par value $0.01 per share, was 19,114,862.

SIENTRA, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017

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PART I — FINANCI AL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SIENTRA, INC.
Condensed Balance Sheets
(In thousands, except per share and share amounts)
(Unaudited)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 58,757	$ 67,212
Accounts receivable, net of allowances of $4,591 and $4,329 at March 31, 2017 and December 31, 2016, respectively	2,734	3,082
Inventories, net	17,199	18,484
Insurance recovery receivable	73	9,375
Prepaid expenses and other current assets	2,356	1,852
Total current assets	81,119	100,005
Property and equipment, net	3,071	2,986
Goodwill	4,878	4,878
Other intangible assets, net	5,759	6,186
Other assets	1,226	228
Total assets	$ 96,053	$ 114,283
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,684	$ 3,555
Accrued and other current liabilities	8,362	6,507
Legal settlement payable	—	10,900
Customer deposits	6,894	6,559
Total current liabilities	17,940	27,521
Warranty reserve and other long-term liabilities	3,847	3,145
Total liabilities	21,787	30,666
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, $0.01 par value – Authorized 10,000,000 shares; none issued or outstanding	—	—
Common stock, $0.01 par value — Authorized 200,000,000 shares; issued 19,084,774 and 18,671,409 and outstanding 19,012,047 and 18,598,682 shares at March 31, 2017 and December 31, 2016 respectively	190	186
Additional paid-in capital	301,200	299,133
Treasury stock, at cost (72,727 shares at March 31, 2017 and December 31, 2016)	(260)	(260)
Accumulated deficit	(226,864)	(215,442)
Total stockholders' equity	74,266	83,617
Total liabilities and stockholders' equity	$ 96,053	$ 114,283

See accompanying notes to condensed financial statements.

SIENTRA, INC.
Condensed Statements of Operations
(In thousands, except per share and share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Net sales	$ 7,489	$ 1,471
Cost of goods sold	2,322	760
Gross profit	5,167	711
Operating expenses:		
Sales and marketing	6,955	5,109
Research and development	3,194	2,255
General and administrative	6,436	5,286
Total operating expenses	16,585	12,650
Loss from operations	(11,418)	(11,939)
Other income (expense), net:		
Interest income	22	15
Interest expense	(9)	(1)
Other income (expense), net	8	(12)
Total other income (expense), net	21	2
Loss before income taxes	(11,397)	(11,937)
Income taxes	25	—
Net loss	$ (11,422)	$ (11,937)
Basic and diluted net loss per share attributable to common stockholders	$ (0.61)	$ (0.66)
Weighted average outstanding common shares used for net loss per share attributable to common stockholders:		
Basic and diluted	18,772,965	18,050,597

See accompanying notes to condensed financial statements.

SIENTRA, INC.
Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (11,422)	$ (11,937)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	570	144
Provision for doubtful accounts	8	300
Provision for warranties	57	15
Provision for inventory	107	263
Change in fair value of warrants	(9)	15
Change in fair value of deferred and contingent consideration	64	—
Non-cash interest expense	8	1
Stock-based compensation expense	1,360	739
Loss on disposal of property and equipment	—	122
Deferred income taxes	25	—
Changes in assets and liabilities:		
Accounts receivable	365	1,236
Prepaid expenses, other current assets and other assets	(1,420)	(399)
Inventories	1,178	279
Insurance recovery receivable	9,301	—
Accounts payable	(856)	(622)
Accrued and other liabilities	3,040	(1,236)
Legal settlement payable	(10,900)	—
Customer deposits	335	(1,317)
Net cash used in by operating activities	(8,189)	(12,397)
Cash flows from investing activities:		
Purchase of property and equipment	(952)	(606)
Business acquisitions	—	(6,759)
Net cash used in investing activities	(952)	(7,365)
Cash flows from financing activities:		
Proceeds from exercise of stock options	752	24
Proceeds from issuance of common stock under ESPP	324	430
Tax payments related to shares withheld for vested restricted stock units (RSUs)	(390)	—
Net cash provided by financing activities	686	454
Net decrease in cash and cash equivalents	(8,455)	(19,308)
Cash and cash equivalents at:		
Beginning of period	67,212	112,801
End of period	$ 58,757	$ 93,493
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment in accounts payable and accrued liabilities	$ 214	$ —
Acquisition of business, deferred and contingent consideration obligations at fair value	—	550
Fair value of warrants to be issued	88	—

See accompanying notes to condensed financial statements.

1. Formation and Business of the Company

a. Formation

Sientra, Inc., or the Company, was incorporated in the State of Delaware on August 29, 2003 under the name Juliet Medical, Inc. and subsequently changed its name to Sientra, Inc. in April 2007. The Company acquired substantially all the assets of Silimed, Inc. on April 4, 2007. The purpose of the acquisition was to acquire the rights to the silicone breast implant clinical trials, related product specifications and premarket approval, or PMA, assets. Following this acquisition, the Company focused on completing the clinical trials to gain Food and Drug Administration, or FDA, approval to offer its silicone gel breast implants in the United States.

In March 2012, Sientra announced it had received approval from the FDA for its portfolio of silicone gel breast implants, and in the second quarter of 2012 the Company began commercialization efforts to sell its products in the United States. The Company, based in Santa Barbara, California, is a medical aesthetics company that focuses on serving board-certified plastic surgeons and offers a portfolio of silicone shaped and round breast implants, scar management, tissue expanders, and body contouring products.

In November 2014, the Company completed an initial public offering, or IPO, and its common stock is listed on the Nasdaq Stock Exchange under the symbol "SIEN."

b. Regulatory Inquiries Regarding Products Manufactured by Silimed

There have been regulatory inquiries related to medical devices manufactured by Silimed Indústria de Implantes Ltda. (formerly, Silimed-Silicone e Instrumental Medico-Cirugio e Hospitalar Ltda.), or Silimed, the Company's former sole source contract manufa cturer for its silicone gel breast implants.

On September 23, 2015, the Medicines and Healthcare Products Regulatory Agency, or MHRA, an executive agency of the United Kingdom, or U.K., announced the suspension of sales and implanting in the U.K. of all medical devices manufactured by Silimed following the suspension of the CE and ISO 13485 certifications of these products issued by TÜV SÜD, Silimed's notified body under European Union, or EU, regulation. The suspension followed TÜV SÜD's inspection at Silimed's manufacturing facilities in Brazil, relating to the alleged presence of surface particles on Silimed breast products.

On October 2, 2015, the Brazilian regulatory agency ANVISA and the Department of the Secretary of State of the State of Rio de Jan eiro announced the suspension of the manufacturing and shipment of all medical devices made by Silimed, including products manufactured for Sientra, while they reviewed the technical compliance related to current good manufacturing practices, or cGMP, of Silimed's manufacturing facilities.

On October 9, 2015, the Company voluntarily placed a hold on the sale of all Sientra devices manufactured by Silimed and recommended that plastic surgeons discontinue implanting the devices until further notice.

On January 27, 2016, after completing an analysis and risk assessment, ANVISA announced its authorization of Silimed to resume the commercialization and use of its previously manufactured products. ANVISA concluded there was no evidence that the presence of surface particles on silicone implants represented risks which are additional to those inherent in the product.

On March 1, 2016, after the completion of extensive independent, third-party testing and analyses of its devices manufactured by Silimed, the Company lifted the temporary hold on the sale of such devices and informed its Plastic Surgeons of the Company's controlled market re-entry plan designed to optimize the Company's inventory supply. The results of the Company's testing indicated no significant safety concerns with the use of its products, including its breast implants, consistent with their approval status since 2012. Additionally, the FDA reiterated prior

statements of MHRA and ANVISA that no reports of adverse events and no risks to patient health had been identified in connection with implanting Silimed-manufactured products.

On July 11, 2016, after completing an inspection of Silimed's facility, ANVISA announced the reinstatement of Silimed's GMP certificate, valid for two years, and their ability to manufacture commercial products. The Silimed facility that was approved for manufacturing is a different facility from where Sientra breast implants were previously manufactured, which was damaged by a fire on October 22, 2015. The suspension of Silimed's CE and ISO 13485 certifications by TÜV SÜD remains in place. The Company's existing manufacturing contract with Silimed expired on its terms on April 1, 2017 and the Company did not renew the contract.

For more information on the status of the Company's relationship with Silimed, see Note 12 – Commitments and Contingencies.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying unaudited condensed financial statements in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. Accordingly, they do not include certain footnotes and financial presentations normally required under accounting principles generally accepted in the United States of America for complete financial reporting. The interim financial information is unaudited, but reflects all normal adjustments and accruals which are, in the opinion of management, considered necessary to provide a fair presentation for the interim periods presented. The accompanying condensed financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 14, 2017, or the Annual Report. The results for the three months ended March 31, 2017 are not necessarily indicative of results to be expected for the year ending December 31, 2017, any other interim periods, or any future year or period.

b. Going Concern

The accompanying financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company's manufacturing contract with Silimed, the Company's former sole source, third-party manufacturer of silicone gel breast implants expired on its terms on April 1, 2017, and the Company did not renew that contract with Silimed. Accordingly, the Company continues to evaluate the availability of alternative manufacturing sources, including with Vesta Intermediate Funding, Inc., or Vesta, a Lubrizol Lifesciences company, which is establishing manufacturing capacity for the Company and with which the Company recently executed a definitive manufacturing agreement for the long-term supply of the Company's PMA-approved breast implants. The continuation of the Company as a going concern is dependent upon many factors including resolution of any outstanding disputes with Silimed (see Note 12—Commitments and Contingencies), the availability of alternative manufacturing sources, and continued sale of the Company's products. Since inception, the Company has incurred net losses. At March 31, 2017, the Company had cash and cash equivalents of $58.8 million. The Company believes that it has the ability to continue as a going concern for at least 12 months from the date the Company's financial statements are issued. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

c. Use of Estimates

The preparation of the condensed financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

d. Significant Accounting Policies

There have been no significant changes to the accounting policies during the three months ended March 31, 2017, as compared to the significant accounting policies described in the "Notes to Financial Statements" in the Annual Report.

e. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In July 2015, the FASB issued accounting standard update, or ASU, 2015-11, *Inventory - Simplifying the Measurement of Inventory* . The standard simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. The accounting standards update will not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. The Company adopted ASU 2015-11 in the first quarter of 2017 on a prospective basis. The adoption of this ASU did not have a material impact on the Company's financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718)*. The standard identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The Company adopted ASU 2016-09 in the first quarter of 2017 on a prospective basis. The Company has made an accounting policy election to account for forfeitures when they occur. The adoption of this ASU did not have a material impact on the Company's financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment* . The standard update eliminates Step 2 from the goodwill impairment test. The guidance requires an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. In addition, the guidance eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. The standard will be effective for the Company beginning in fiscal year 2020. Early adoption is permitted for interim and annual goodwill impairment tests performed after January 1, 2017. The Company adopted ASU 2017-04 in the first quarter of 2017 on a prospective basis. The adoption of this ASU did not have a material impact on the Company's financial statements.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* . The standard was issued to provide a single framework that replaces existing industry and transaction specific GAAP with a five step analysis of transactions to determine when and how revenue is recognized. The accounting standard update will replace most existing revenue recognition guidance in GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,* to defer the effective date of ASU 2014-09 by one year. Therefore, ASU 2014-09 will become effective for the Company beginning in fiscal year 2018. Early adoption would be permitted for the Company beginning in fiscal year 2017. The standard permits the use of either the retrospective or cumulative transition method. In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers.* ASU 2016-20 is intended to clarify and suggest improvements to the application of current standards under Topic 606 and other Topics amended by ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* . The effective date of ASU 2016-20 is the same as the effective date for ASU 2014-09. In preparation for our adoption of the new standard in our fiscal year ending December 31, 2018, we are reviewing contracts and other forms of agreements with our customers and are evaluating the provisions contained therein in light of the five-step model specified by the new guidance. That five-step model includes: (1) determination of whether a contract—an agreement between two or more parties that creates legally enforceable rights and obligations—exists; (2)

identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance oblig ations in the contract; and (5) recognition of revenue when (or as) the performance obligation is satisfied. We are also evaluating the impact of the new standard on certain common practices currently employed by us and by other medical device companies, s uch as allowance for sales returns, rebates and other pricing programs. We have not yet determined the impact of the new standard on our financial statements or whether we will adopt on a prospective or retrospective basis in the first quarter of our fisca l year ending December 31, 2018.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805) - Clarifying the Definition of a Business* . The standard adds guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses by providing a more specific definition of a business. The updated accounting standard will be effective for the Company beginning in fiscal year 2018. The Company will evaluate the impact of this ASU on future acquisitions .

3. Acquisitions

a. Acquisition of BIOCORNEUM®

On March 9, 2016, the Company entered into an assets purchase agreement with Enaltus LLC, or Enaltus, to acquire exclusive U.S. rights to BIOCORNEUM®, an advanced silicone scar treatment marketed exclusively to physicians. The acquisition of BIOCORNEUM® aligns with the Company's business development objectives and adds a complementary product that serves the needs of its customers. In connection with the acquisition, the Company recorded $0.0 and $0.1 million of professional fees for the three months ended March 31, 2017 and 2016, respectively, which are included in general and administrative expense. The aggregate preliminary acquisition date fair value of the consideration transferred was estimated at $7.4 million, which consisted of the following (in thousands):

	Fair Value
Cash	$ 6,859
Deferred consideration	434
Contingent consideration	116
	$ 7,409

The deferred consideration and contingent consideration consist of future royalty payments to be paid on a quarterly basis to Enaltus on future BIOCORNEUM® sales for the 4.5 years beginning January 1, 2024. The Company has determined the fair value of the deferred consideration and contingent consideration at the acquisition date using a Monte Carlo simulation model. The fair value of the deferred consideration is based on the future minimum royalty payments using the risk-free U.S. Treasury yield curve discount rate. The minimum estimated future payments due under the deferred consideration are $0.5 million. The fair value of the contingent consideration is based on projected future BIOCORNEUM® sales and a risk adjusted discount rate. The terms of the agreement do not provide for a limitation on the maximum potential future payments. The inputs are significant inputs not observable in the market, which are referred to as Level 3 inputs and are further discussed in Note 5. The deferred consideration and contingent consideration components are classified as other long-term liability and are subject to the recognition of subsequent changes in fair value through general and administrative expense in the statement of operations.

The Company allocated the total consideration transferred to the tangible and identifiable intangible assets acquired based on their respective fair values on the acquisition date, with the remaining unallocated amount recorded as goodwill. The goodwill arising from the transaction is primarily attributable to expected operational synergies, and all of goodwill will be deductible for income tax purposes. The condensed financial statements for the three months ended March 31, 2016 include the results of operations of BIOCORNEUM® from the date of acquisition.

The following table summarizes the allocation of the fair value of the consideration transferred by major class for the business combination completed on March 9, 2016 (in thousands):

	March 9, 2016
Inventory	$ 100
Prepaid expenses	36
Goodwill	3,273
Intangible assets	4,000
	$ 7,409

A summary of the intangible assets acquired, estimated useful lives and amortization method is as follows (in thousands):

	Amount	Estimated useful life (in years)	Amortization method
Customer relationships	$ 3,200	10	Accelerated
Trade name	800	12	Straight-line
	$ 4,000		

The Company retained an independent third-party appraiser to assist management in its valuation and the purchase price has been finalized. Pro forma results of operations have not been presented because the effect of the acquisition was not material to the Company's results of operations.

b. Acquisition of Tissue Expander Portfolio from Specialty Surgical Products, Inc.

On November 2, 2016, the Company entered into an asset purchase agreement with Specialty Surgical Products, Inc., or SSP, to acquire c ertain assets, consisting of the Dermaspan™, Softspan™, and AlloX2® tissue expanders, from SSP. The acquisition adds a complete portfolio of premium, differentiated tissue expanders and aligns with the Company’s business development plans for growth in the breast reconstruction market. The Company did not record any professional fees for the three months ended March 31, 2017 and 2016 in connection with the acquisition. The aggregate preliminary acquisition date fair value of the consideration transferred was estimated at $6.0 million, which consisted of the following (in thousands):

	Fair Value
Cash	$ 4,950
Contingent consideration	1,050
	$ 6,000

The contingent consideration consists of future cash payments of a maximum of $2.0 million to be paid to SSP based upon the achievement of certain milestones of future net sales. The Company has determined the fair value of the contingent consideration at the acquisition date using a Monte-Carlo simulation model. The inputs include the estimated amount and timing of future net sales, and a risk-adjusted discount rate. The inputs are significant inputs not observable in the market, which are referred to as Level 3 inputs and are further discussed in Note 5. The contingent consideration components are classified as other long-term liabilities and are subject to the recognition of subsequent changes in fair value through general and administrative expense in the statement of operations.

The Company allocated the total consideration transferred to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective fair values on the acquisition date, with the remaining unallocated amount recorded as goodwill. The goodwill arising from the transaction is primarily attributable to expected operational synergies, and all of goodwill will be deductible for income tax purposes. The financial statements for the three months ended March 31, 2017 include the results of operations of the Dermaspan™, Softspan™, and AlloX2® tissue expanders .

The following table summarizes the allocation of the fair value of the consideration transferred by major class for the business combination completed on November 2, 2016 (in thousands):

	November 2, 2016
Accounts receivable, net	$ 196
Inventory	1,555
Equipment	34
Goodwill	1,605
Intangible assets	2,860
Liabilities assumed	(250)
	$ 6,000

A summary of the intangible assets acquired, estimated useful lives and amortization method is as follows (in thousands):

	Amount	Estimated useful life	Amortization method
Customer relationships	$ 1,740	9 years	Accelerated
Regulatory approvals	670	14 months	Straight-line
Trade names	450	indefinite-lived	
	$ 2,860		

The Company retained an independent third-party appraiser to assist management in its valuation; however, the purchase price allocation has not been finalized. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain tangible assets and liabilities acquired, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. The preliminary allocation of the purchase price is based on the best estimates of management and is subject to revision based on the final valuations and estimates of useful lives.

Pro forma results of operations have not been presented because the effect of the acquisition was not material to the Company's results of operations.

4. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and customer deposits are reasonable estimates of their fair value because of the short maturity of these items. The fair value of the common stock warrant liability, deferred consideration and contingent consideration is discussed in Note 5. As of March 31, 2017, the Company had no outstanding long-term debt.

5. Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs (other than Level 1 quoted prices) such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's common stock warrant liabilities are carried at fair value determined according to the fair value hierarchy described above. The Company has utilized an option pricing valuation model to determine the fair value of its outstanding common stock warrant liabilities. The inputs to the model include fair value of the common stock related to the warrant, exercise price of the warrant, expected term, expected volatility, risk-free interest rate and dividend yield. The warrants are valued using the fair value of common stock as of the measurement date. The Company historically has been a private company and lacks company-specific historical and implied volatility information of its stock. Therefore, it estimates its expected stock volatility based on the historical volatility of publicly traded peer companies for a term equal to the remaining contractual term of the warrants. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual term of the warrants. The Company has estimated a 0% dividend yield based on the expected dividend yield and the fact that the Company has never paid or declared dividends. As several significant inputs are not observable, the overall fair value measurement of the warrants is classified as Level 3.

The Company assessed the fair value of the deferred consideration and contingent consideration for future royalty payments related to the acquisition of BIOCORNEUM® and the contingent consideration for future milestone payments for the acquisition of the tissue expander portfolio from SSP using the Monte-Carlo simulation model. Significant assumptions used in the measurement include future net sales for a defined term and the risk-adjusted discount rate associated with the business. As the inputs are not observable, the overall, fair value measurement of the deferred consideration and contingent consideration is classified as Level 3.

The following tables present information about the Company's liabilities that are measured at fair value on a recurring basis as of March 31, 2017 and December 31, 2016 and indicate the level of the fair value hierarchy utilized to determine such fair value (in thousands):

	Fair Value Measurements as of March 31, 2017 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for common stock warrants	$ —	—	178	178
Liability for deferred consideration	—	—	398	398
Liability for contingent consideration	—	—	1,303	1,303
	$ —	—	1,879	1,879

	Fair Value Measurements as of December 31, 2016 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for common stock warrants	$ —	—	99	99
Liability for deferred consideration	—	—	395	395
Liability for contingent consideration	—	—	1,242	1,242
	$ —	—	1,736	1,736

The liability for common stock warrants is included in "accrued and other current liabilities" and the liability for the deferred consideration and contingent consideration is included in "warranty reserve and other long-term liabilities" in the balance sheet. The following table provides a rollforward of the aggregate fair values of the Company's common stock warrants, deferred and contingent consideration for which fair value is determined by Level 3 inputs (in thousands):

Warrant Liability	
Balance, December 31, 2016	$ 99
Fair value of warrants to be issued upon borrowing under the Silicon Valley Bank term loan (Note 9)	88
Change in fair value through March 31, 2017	(9)
Balance, March 31, 2017	$ 178
Deferred Consideration Liability	
Balance, December 31, 2016	$ 395
Change in fair value of deferred consideration	3
Balance, March 31, 2017	$ 398
Contingent Consideration Liability	
Balance, December 31, 2016	$ 1,242
Change in fair value of contingent consideration	61
Balance, March 31, 2017	$ 1,303

The Company recognizes changes in the fair value of the warrants in "other income (expense), net" in the statement of operations and changes in deferred consideration and contingent consideration are recognized in "general and administrative" expense in the statement of operations.

6. Product Warranties

The Company offers a limited warranty and a lifetime product replacement program for the Company's silicone gel breast implants. Under the limited warranty, the Company will reimburse patients for certain out-of-pocket costs related to revision surgeries performed within ten years from the date of implantation in a covered event. Under the lifetime product replacement program, the Company provides no-charge replacement breast implants if a patient experiences a covered event. The programs are available to all patients implanted with the Company's silicone breast implants after April 1, 2012 and are subject to the terms, conditions, claim procedures, limitations and exclusions. Timely completion of a device tracking and warranty enrollment form by the patient's Plastic Surgeon is required to activate the programs and for the patient to be able to receive benefits under either program.

The following table provides a rollforward of the accrued warranties (in thousands):

	Three Months Ended March 31,	
	2017	2016
Beginning balance as of January 1	$ 1,378	$ 1,332
Payments made during the period	—	(4)
Changes in accrual related to warranties issued during the period	51	16
Changes in accrual related to pre-existing warranties	6	(1)
Balance as of March 31	$ 1,435	$ 1,343

7. Net Loss Per Share

Basic net loss per share attributable to common stockholders is computed by dividing net loss by the weighted average number of common shares outstanding during each period. Diluted net loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares and dilutive potential common share equivalents then outstanding, to the extent they are dilutive. Potential common shares consist of shares issuable upon the exercise of stock options and warrants (using the treasury stock method). Dilutive net loss per share is the same as basic net loss per share for all periods presented because the effects of potentially dilutive items were anti-dilutive.

	Three Months Ended March 31,	
	2017	2016
Net loss (in thousands)	$ (11,422)	$ (11,937)
Weighted average common shares outstanding, basic and diluted	18,772,965	18,050,597
Net loss per share attributable to common stockholders	$ (0.61)	$ (0.66)

The Company excluded the following potentially dilutive securities, outstanding as of March 31, 2017 and 2016, from the computation of diluted net loss per share attributable to common stockholders for the three months ended March 31, 2017 and 2016 because they had an anti-dilutive impact due to the net loss attributable to common stockholders incurred for the periods.

	March 31,	
	2017	2016
Stock options to purchase common stock	1,701,131	2,200,117
Warrants for the purchase of common stock	47,710	47,710
	1,748,841	2,247,827

8. Balance Sheet Components

a. Allowance for Sales Returns and Doubtful Accounts

The Company has established an allowance for sales returns of $4.2 million and $3.9 million as of March 31, 2017 and December 31, 2016, respectively, recorded net against accounts receivable in the balance sheet.

The Company has established an allowance for doubtful accounts of $0.4 million and $0.4 million as of March 31, 2017 and December 31, 2016, respectively, recorded net against accounts receivable in the balance sheet.

b. Property and Equipment

Property and equipment, net consist of the following (in thousands):

	March 31, 2017	December 31, 2016
Leasehold improvements	$ 96	$ 86
Laboratory equipment and toolings	2,441	2,264
Computer equipment	299	287
Software	692	669
Office equipment	131	129
Furniture and fixtures	747	743
	4,406	4,178
Less accumulated depreciation	(1,335)	(1,192)
	$ 3,071	$ 2,986

Depreciation expense for the three months ended March 31, 2017 and 2016 was $0.1 million and $0.1 million, respectively.

c. Goodwill and Other Intangible Assets, net

Goodwill represents the excess of the purchase price over the fair value of net assets of purchased businesses. Goodwill is not amortized, but instead subject to impairment tests on at least an annual basis and whenever circumstances suggest that goodwill may be impaired. The Company's annual test for impairment is performed as of October 1 of each fiscal year. The Company makes a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If the Company concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it is not required to perform the two-step impairment test for that reporting unit.

Under the first step of the test, the Company is required to compare the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired and the second step of the test is not performed. If the results of the first step of the impairment test indicate that the fair value of a reporting unit does not exceed its carrying amount, then the second step of the test is required. The second step of the test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The impairment loss is measured by the excess of the carrying amount of the reporting unit goodwill over the implied fair value of that goodwill.

The changes in the carrying amount of goodwill during the three months ended March 31, 2017 were as follows (in thousands):

Balances as of December 31, 2016	
Goodwill	$ 19,156
Accumulated impairment losses	(14,278)
Goodwill, net	$ 4,878
Balances as of March 31, 2017	
Goodwill	$ 19,156
Accumulated impairment losses	(14,278)
Goodwill, net	$ 4,878

The components of the Company's other intangible assets consist of the following (in thousands) :

	Average Amortization Period (in years)	March 31, 2017 Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Intangibles with definite lives				
Acquired FDA non-gel product approval	11	$ 1,713	$ (1,701)	$ 12
Customer relationships	9.5	4,940	(855)	4,085
Trade names - finite life	12	800	(72)	728
Regulatory approvals	1.17	670	(239)	431
Non-compete agreement	2.0	80	(27)	53
Total definite-lived intangible assets		$ 8,203	$ (2,894)	$ 5,309
Intangibles with indefinite lives				
Trade names - indefinite life	—	450	—	450
Total indefinite-lived intangible assets		$ 450	$ —	$ 450

	Average Amortization Period (in years)	December 31, 2016 Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Intangibles with definite lives				
Acquired FDA non-gel product approval	11	$ 1,713	$ (1,696)	$ 17
Customer relationships	9.5	4,940	(602)	4,338
Trade names - finite life	12	800	(56)	744
Regulatory approvals	1.17	670	(96)	574
Non-compete agreement	2.0	80	(17)	63
Total definite-lived intangible assets		$ 8,203	$ (2,467)	$ 5,736
Intangibles with indefinite lives				
Trade names - indefinite life	—	450	—	450
Total indefinite-lived intangible assets		$ 450	$ —	$ 450

Amortization expense for the three months ended March 31, 2017 and 2016 was $0.4 million and $0.1 million, respectively. The following table summarizes the estimated amortization expense relating to the Company's intangible assets as of March 31, 2017 (in thousands):

Period	Amortization Expense
Remainder of 2017	$ 1,281
2018	1,090
2019	794
2020	582
2021	435
	$ 4,182

d. Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following (in thousands):

	March 31, 2017	December 31, 2016
Accrued clinical trial and research and development expenses	$ 159	$ 119
Audit, consulting and legal fees	2,073	803
Payroll and related expenses	2,390	2,592
Accrued commission	2,049	1,222
Warrant liability	178	99
Other	1,513	1,672
	$ 8,362	$ 6,507

9. Long-Term Debt and Revolving Line of Credit

In March 2017, the Company entered into a Loan and Security Agreement, or the Loan Agreement, with Silicon Valley Bank, or SVB. Under the terms of the Loan Agreement, SVB made available to the Company a revolving line of credit of up to $15.0 million, or the Revolving Line, and a $5.0 million term loan, or the Term Loan. As of March 31, 2017, the Company had not borrowed any amounts under the Revolving Line or the Term Loan. The Company intends to use the proceeds from the Loan Agreement for working capital and other general corporate purposes.

Any indebtedness under the Term Loan and the Revolving Line bear interest at a floating per annum rate equal to the prime rate as reported in The Wall Street Journal, which as of the closing date was 3.75%, plus 1.00%. The Term Loan has a scheduled maturity date of March 1, 2020. The Company must make monthly payments of accrued interest under the Term Loan from the funding date of the Term Loan, or the Funding Date, until April 1, 2018, followed by monthly installments of principal and interest through the Term Loan maturity date. The interest-only period may be extended until April 1, 2019 if the Company has obtained FDA certification of the manufacturing facility operated by Vesta by March 31, 2018. The Company may prepay all, but not less than all, of the Term Loan prior to its maturity date provided the Company pays SVB a prepayment charge based on a percentage of the then-outstanding principal balance which shall be equal to 2% if the prepayment occurs prior to the second anniversary of the Funding Date, and 1% if the prepayment occurs thereafter. Upon making the final payment of the Term Loan, whether upon prepayment, acceleration or at maturity, the Company is required to pay a 12.5% fee on the original principal amount of the Term Loan.

The amount of loans available to be drawn under the Revolving Line is based on a borrowing base equal to 80% of the Company's eligible accounts; provided that if the Company maintains an adjusted quick ratio (as defined in the Loan Agreement) of 1.5:1.0 for three continuous consecutive months, they may access the full Revolving Line. The Company may make (subject to the applicable borrowing base at the time) and repay borrowings from time to time under the Revolving Line until the maturity of the facility on March 13, 2022.

The Loan Agreement includes customary affirmative and restrictive covenants and representations and warranties, including a financial covenant to maintain the adjusted quick ratio (as defined in the Loan Agreement) of 1.15:1.0 while borrowings are outstanding and until the Company has obtained FDA certification of the manufacturing facility operated by Vesta, a covenant against the occurrence of a "change in control," financial reporting obligations, and certain limitations on indebtedness, liens, investments, distributions (including dividends), collateral, mergers or acquisitions, taxes, corporate changes, and deposit accounts. The Loan Agreement also includes customary events of default, including payment defaults, breaches of covenants following any applicable cure period, the occurrence of any "material adverse change" as set forth in the Loan Agreement, penalties or judgements in an amount of at least $1,000,000 rendered against the Company by any governmental agency and certain events relating to bankruptcy or insolvency. Upon the occurrence of an event of default, a default interest rate of an additional 5.0% may be applied to any outstanding principal balances, and SVB may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Loan

Agreement. The Company's obligations under the Loan Agreement are secured by a security interest in substantially all of T he Company's assets, other than intellectual property.

In connection with the entry into the Term Loan, the Company will issue a warrant to SVB, or the Warrant, exercisable for such number of shares of the Company's common stock as equal to $87,500 divided by a price per share equal to the average closing price of the Company's common stock on the NASDAQ Capital Market for the five trading days prior to the Funding Date. The Warrant may be exercised on a cashless basis, and is immediately exercisable from the Funding Date through the earlier of (i) the five year anniversary of the Funding Date, or (ii) the consummation of certain acquisition transactions involving the Company as set forth in the Warrant.

At the closing of the Loan Agreement, SVB earned a commitment fee of $937,500 of which $187,500 was payable on the closing date and the remainder of which is due and payable by the Company in increments of $187,500 on each anniversary thereof. In April 2017, the Company borrowed $5.0 million under the Revolving Line.

10 . Stockholders' Equity

a. Authorized Stock

The Company's Amended and Restated Certificate of Incorporation authorizes the Company to issue 210,000,000 shares of common and preferred stock, consisting of 200,000,000 shares of common stock with $0.01 par value and 10,000,000 shares of preferred stock with $0.01 par value. As of March 31, 2017 and December 31, 2016, the Company had no preferred stock issued or outstanding.

b. Common Stock Warrants

On January 17, 2013, the Company entered into a Loan and Security Agreement, or the Original Term Loan Agreement, with Oxford Finance, LLC, or Oxford. On June 30, 2014, the Company entered into an Amended and Restated Loan and Security Agreement, or the Amended Term Loan Agreement, with Oxford. In connection with the Original Term Loan Agreement and the Amended Term Loan Agreement, the Company issued to Oxford (i) seven-year warrants in January 2013 to purchase shares of the Company's common stock with a value equal to 3.0% of the tranche A, B and C term loans amounts and (ii) seven-year warrants in June 2014 to purchase shares of the Company's common stock with a value equal to 2.5% of the tranche D term loan amount. The warrants have an exercise price per share of $14.671. As of March 31, 2017, there w ere warrants to purchase an aggregate of 47,710 shares of common stock outstanding.

c. Stock Option Plans

In April 2007, the Company adopted the 2007 Equity Incentive Plan, or the 2007 Plan. The 2007 Plan provides for the granting of stock options to employees, directors and consultants of the Company. Options granted under the 2007 Plan may either be incentive stock options or nonstatutory stock options. Incentive stock options, or ISOs, may be granted only to Company employees. Nonstatutory stock options, or NSOs, may be granted to all eligible recipients. A total of 1,690,448 shares of the Company's common stock were reserved for issuance under the 2007 Plan.

The Company's board of directors adopted the 2014 Equity Incentive Plan, or 2014 Plan, in July 2014, and the stockholders approved the 2014 Plan in October 2014. The 2014 Plan became effective upon completion of the IPO on November 3, 2014, at which time the Company ceased granting awards under the 2007 Plan. Under the 2014 Plan, the Company may issue ISOs, NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards and other forms of stock awards, or collectively, stock awards, all of which may be granted to employees, including officers, non-employee directors and consultants of the Company and their affiliates. ISOs may be granted only to employees. A total of 1,027,500 shares of common stock were initially reserved for issuance under the 2014 Plan, subject to certain annual increases. As of March 31, 2017, a total of 707,070 shares of the Company's common stock were reserved for issuance under the 2014 Plan.

Pursuant to a bo ard-approved Inducement Plan, the Company may issue NSOs and restricted stock unit awards, or collectively, stock awards, all of which may only be granted to new employees of the Company and their affiliates in accordance with NASDAQ Stock Market Rule 5635 (c)(4) as an inducement material to such individuals entering into employment with the Company. As of March 31, 2017 , inducement grants for 330,000 shares of common stock have been awarded, and 34,000 shares of common stock were reserved for future issuan ce under the Inducement Plan.

Options under the 2007 Plan and the 2014 Plan may be granted for periods of up to ten years as determined by the Company's board of directors, provided, however, that (i) the exercise price of an ISO shall not be less than 100% of the estimated fair value of the shares on the date of grant, and (ii) the exercise price of an ISO granted to a more than 10% shareholder shall not be less than 110% of the estimated fair value of the shares on the date of grant. An NSO has no such exercise price limitations. NSOs under the Inducement Plan may be granted for periods of up to ten years as determined by the board of directors, provided, the exercise price will be not less than 100% of the estimated fair value of the shares on the date of grant. Options generally vest with 25% of the grant vesting on the first anniversary and the balance vesting monthly on a straight-lined basis over the requisite service period of three additional years for the award. Additionally, options have been granted to certain key executives that vest upon achievement of performance conditions based on performance targets as defined by the board of directors, which have included net sales targets and defined corporate objectives over the performance period with possible payout ranging from 0% to 100% of the target award. Compensation expense is recognized on a straight-lined basis over the vesting term of one year based upon the probable performance target that will be met. The vesting provisions of individual options may vary but provide for vesting of at least 25% per year.

The following summarizes all option activity under the 2007 Plan, 2014 Plan and Inducement Plan:

	Option Shares	Weighted average exercise price	Weighted average remaining contractual term (year)
Balances at December 31, 2016	2,786,977	$ 7.27	6.28
Granted	90,000	8.50	
Exercised	(289,931)	2.68	
Forfeited	(212,357)	11.58	
Balances at March 31, 2017	2,374,689	$ 7.49	7.41

For stock-based awards the Company recognizes compensation expense based on the grant date fair value using the Black-Scholes option valuation model. Stock-based compensation expense was $0.7 million and $0.4 million for the three months ended March 31, 2017 and 2016, respectively. As of March 31, 2017, there was $4.1 million of unrecognized compensation costs related to stock options. The expense is recorded within the operating expense components in the statement of operations based on the recipients receiving the awards. These costs are expected to be recognized over a weighted average period of 2.52 years.

d. Restricted Stock Units

The Company has issued restricted stock unit awards, or RSUs, under the 2014 Plan and the Inducement Plan. The RSUs issued generally vest on a straight-line basis, either quarterly over a 4-year requisite service period or annually over a 3-year requisite service period.

Activity related to RSUs is set forth below:

	Number of shares	Weighted average grant date fair value
Balances at December 31, 2016	430,733	$ 7.99
Granted	375,941	8.60
Vested	(115,295)	8.40
Restricted stock units withheld for tax	46,420	8.44
Balances at March 31, 2017	737,799	$ 8.27

Stock-based compensation expense for RSUs for the three months ended March 31, 2017 and 2016 was $0.5 million and $0.3 million, respectively. As of March 31, 2017, there was $4.9 million of total unrecognized compensation costs related to non-vested RSU awards. The cost is expected to be recognized over a weighted average period of 2.37 years.

e. Employee Stock Purchase Plan

The Company's board of directors adopted the 2014 Employee Stock Purchase Plan, or ESPP, in July 2014, and the stockholders approved the ESPP in October 2014. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP provides for offering periods not to exceed 27 months, and each offering period will include purchase periods, which will be the approximately six-month period commencing with one exercise date and ending with the next exercise date. Employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the exercise date. A total of 255,500 shares of common stock were initially reserved for issuance under the ESPP, subject to certain annual increases.

As of March 31, 2017, the number of shares of common stock reserved for issuance under the ESPP was 770,549. During the three months ended March 31, 2017, employees purchased 54,559 shares of common stock at a weighted average price of $5.93 per share. As of March 31, 2017, the number of shares of common stock available for future issuance was 549,073.

The Company estimated the fair value of employee stock purchase rights using the Black-Scholes model. Stock-based compensation expense related to the ESPP was $0.1 million and $0.1 million for the three months ended March 31, 2017 and 2016, respectively.

11. Income Taxes

The Company operates in several tax jurisdictions and is subject to taxes in each jurisdiction in which it conducts business. To date, the Company has incurred cumulative net losses and maintains a full valuation allowance on its net deferred tax assets due to the uncertainty surrounding realization of such assets. However, the Company has deferred tax liabilities associated with indefinite-lived intangible assets that cannot be considered sources of income to support the realization of the deferred tax assets, and has provided for tax expense and a corresponding deferred tax liability associated with these indefinite-lived intangible assets. Tax expense was $25,000 for the three months ended March 31, 2017. There was no tax expense for the three months ended March 31, 2016.

12. Commitments and Contingencies

a. Operating Leases

The Company's lease for its general office facility in Santa Barbara, California expires in February 2020. The Company also leases additional industrial space for warehouse, research and development and additional general office use. Rent expense was $0.1 million and $0.1 million for the three months ended March 31, 2017 and 2016, respectively. The Company recognizes rent expense on a straight-line basis over the lease term.

b. Contingencies

The Company is subject to claims and assessment from time to time in the ordinary course of business. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Class Action Shareholder Litigation

On September 25, 2015, a lawsuit styled as a class action of the Company's stockholders was filed in the United States District Court for the Central District of California. The lawsuit names the Company and certain of its officers as defendants, or the Sientra Defendants, and alleges violations of Sections 10(b) and 20(a) of the Exchange Act in connection with allegedly false and misleading statements concerning the Company's business, operations, and prospects. The plaintiff seeks damages and an award of reasonable costs and expenses, including attorneys' fees. On November 24, 2015, three stockholders (or groups of stockholders) filed motions to appoint lead plaintiff(s) and to approve their selection on lead counsel. On December 10, 2015, the court entered an order appointing lead plaintiffs and approving their selection of lead counsel. On February 19, 2016, lead plaintiffs filed their consolidated amended complaint, which added claims under Sections 11, 12(a)(2) and 15 of the Securities Act and named as defendants the underwriters associated with the Company's follow-on public offering that closed on September 23, 2015, or the Underwriter Defendants. On March 21, 2016, the Sientra Defendants and the Underwriter Defendants each filed a motion to dismiss, or the Motions to Dismiss, the consolidated amended complaints. On April 20, 2016, lead plaintiffs filed their opposition to the Motions to Dismiss, and the Sientra Defendants and Underwriter Defendants filed separate replies on May 5, 2016. On June 9, 2016, the court granted in part and denied in part the Motions to Dismiss. On July 14, 2016, the Sientra Defendants moved the court to reconsider its June 9, 2016 order and grant the Motions to Dismiss in full. On August 4, 2016, lead plaintiffs filed an opposition to the motion for reconsideration. On August 12, 2016, the court denied the motion for reconsideration, and the Sientra Defendants and the Underwriter Defendants each filed an answer to the consolidated amended complaint.

On October 28, November 5, and November 19, 2015, three lawsuits styled as class actions of the Company's stockholders were filed in the Superior Court of California for the County of San Mateo. The lawsuits name the Company, certain of its officers and directors, and the underwriters associated with the Company's follow-on public offering that closed on September 23, 2015 as defendants. The lawsuits allege violations of Sections 11, 12(a)(2), and 15 of the Securities Act in connection with allegedly false and misleading statements in the Company's offering documents associated with the follow-on offering concerning its business, operations, and prospects. The plaintiffs seek damages and an award of reasonable costs and expenses, including attorneys' fees. On December 4, 2015, defendants removed all three lawsuits to the United States District Court for the Northern District of California. On December 15 and December 16, 2015, plaintiffs filed motions to remand the lawsuits back to San Mateo Superior Court, or the Motions to Remand. On January 19, 2016, defendants filed their opposition to the Motions to Remand, and plaintiffs filed their reply in support of the Motions to Remand on January 26, 2016.

On May 20, 2016, the United States District Court for the Northern District of California granted plaintiffs' Motions to Remand, and the San Mateo Superior Court received the remanded cases on May 27, 2016. On July 19, 2016, the San Mateo Superior Court consolidated the three lawsuits. On August 2, 2016, plaintiffs filed their consolidated complaint. On August 5, 2016, defendants filed a motion to stay all proceedings in favor of the class action filed in the United States District Court for the Central District of California.

On September 13, 2016, the parties to th e actions pending in the San Mateo Superior Court and the United States District Court for the Central District of California signed a memorandum of understanding that sets forth the material deal points of a settlement that covers both actions and include s class-wide relief. On September 13, 2016 and September 20, 2016, respectively, the parties filed notices of settlement in both courts. On September 22, 2016, the United States District Court for the Central District of California stayed that action pendi ng the court's approval of a settlement. On September 23, 2016, the San Mateo Superior Court stayed that action as well pending the court's approval of a settlement.

On December 20, 2016, the plaintiffs in the federal court action filed a motion for preliminary approval of the class action settlement. On January 23, 2017, the United States District Court for the Central District of California preliminarily approved the settlement. A final approval hearing in that court is scheduled for May 22, 2017. On January 5, 2017, the plaintiffs in the state court action also filed a motion for preliminary approval of the class action settlement. On February 7, 2017, the San Mateo Superior Court preliminarily approved the settlement. A final approval hearing in that court is scheduled for May 31, 2017. On April 24, 2017, the plaintiffs in the federal court action and the state court action each filed their motion for final approval of the class action settlement, approval of the proposed plan of allocation, and an award of attorneys' fees and expenses. The settlement is contingent upon final approval by both the San Mateo Superior Court and the United States District Court for the Central District of California.

As a result of these developments, the Company determined a probable loss had been incurred and recognized a net charge to earnings of approximately $1.6 million for the year ended December 31, 2016 within general and administrative expense which was comprised of the loss contingency of approximately $10.9 million, net of expected insurance proceeds of approximately $9.4 million. In the first quarter of 2017, the Company received $9.3 million in insurance proceeds and paid the $10.9 million loss contingency. The remaining insurance proceeds receivable is classified as "insurance recovery receivable" on the accompanying condensed balance sheets. While it is possible that the Company may incur a loss greater than the amounts recognized in the accompanying financial statements, the Company is unable to determine a range of possible losses greater than the amount recognized.

Silimed Litigation

On November 6, 2016, Silimed filed a lawsuit in the United States District Court for the Southern District of New York naming Sientra as the defendant and alleging breach of contract of the Silimed Agreement, unfair competition and misappropriation of trade secrets against us. In its complaint, Silimed alleges that our theft, misuse, and improper disclosure of Silimed's confidential, proprietary, and trade secret manufacturing information was done in order for us to develop our own manufacturing capability that we intend to use to manufacture our PMA-approved products. Silimed is seeking a declaration that we are in material breach of the Silimed Agreement, a preliminary and permanent injunction to prevent our allegedly wrongful use and disclosure of Silimed's confidential and proprietary information, as well as unquantified compensatory and punitive damages. On November 15, 2016, Sientra filed its answer and counterclaims for declaratory judgment in which it denied that Silimed is entitled to any relief including, among other reasons, because of Silimed's material breach of the Silimed Agreement and Silimed's unclean hands, and further seeks declaratory relief that Sientra is the owner of certain assets it acquired from Silimed, Inc. in 2007, that Sientra owns, or is exclusively licensed, to any improvements created since April 2007, that Silimed lacks any confidential information or proprietary rights under the Silimed Agreement, and that Silimed lacks any relevant trade secret rights. On December 9, 2016, Silimed filed a motion to strike the Company's counterclaims. Briefing on that motion was completed on December 30, 2016, and the parties are waiting for a decision from the court. On February 1, 2017, Sientra filed a motion to stay Silimed's breach of contract claim in light of a demand for arbitration filed by Sientra against Silimed on January 20, 2017 concerning Silimed's material breaches of the Silimed Agreement, and to further dismiss, or alternatively stay, the unfair competition and misappropriation of trade secrets claims. Briefing on that motion was completed on February 22, 2017, and the parties are waiting for a decision from the court. On February 3, 2017, the court held an initial pre-trial conference and entered a pre-trial scheduling order which set a final pre-trial conference date of August 3, 2018. We believe that Silimed's claims are legally and factually unsupported and intend to defend this lawsuit vigorously.

On January 20, 2017, Sientra filed an arbitration demand in the International Center for Dispute Resolution, or ICDR, in New York naming Silimed as the defendant and alleging material breach of the Silimed Agreement, gross

negligence and tortious interference by Silimed, as well as seeking certain declaratory relief. Amon g other things, Sientra alleges that Silimed's supply failure constitutes a material breach of the Silimed Agreement, and that such breach was caused by Silimed's grossly negligent or other willful conduct related to its regulatory suspensions and the fire at its manufacturing facility. Silimed filed its answer to Sientra's arbitration demand and counterclaim on March 8, 2017. Sientra filed its answer to Silimed's counterclaims on April 10, 2017. The parties nominated their party arbitrators on March 13 , 2017 and their appointment was confirmed by the ICDR by April 5. 2017. The party appointed arbitrators nominated a president of the tribunal on May 8, 2017 and their appointment is awaiting confirmation from the ICDR.

It is possible that additional suits will be filed, or allegations made by stockholders, with respect to these same or other matters and also naming the Company and/or its officers and directors as defendants. The Company believes it has meritorious defenses and intends to defend these lawsuits vigorously.

13. Subsequent Events

a. Amended Executive Employment Agreement

On May 8, 2017, the Company amended its employment agreement with Jeffrey M. Nugent, the Company's Chief Executive Officer, to increase his base salary from $600,000 to $636,000 per annum to be effective as of January 1, 2017 and to extend the date that the Company shall continue to pay for Mr. Nugent's relocation expenses from December 31, 2016 to December 31, 2017.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed financial statements and related notes included in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto as of and for the year ended December 31, 2016 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission on March 14, 2017, or the Annual Report. Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "Sientra," "the Company," "we," "us" and "our" refer to Sientra, Inc.

Forward-Looking Statements

The information in this discussion contains forward-looking statements and information within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, which are subject to the "safe harbor" created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the SEC. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements.

Overview

We are a medical aesthetics company committed to making a difference in patients' lives by enhancing their body image, growing their self-esteem and restoring their confidence. We were founded to provide greater choices to board-certified plastic surgeons and patients in need of medical aesthetics products. We have developed a broad portfolio of products with technologically differentiated characteristics, supported by independent laboratory testing and strong clinical trial outcomes. We sell our breast implants and breast tissue expanders, or Breast Products, exclusively to board-certified and board-admissible plastic surgeons and tailor our customer service offerings to their specific needs, which we believe helps secure their loyalty and confidence. We have recently expanded our product portfolio through two acquisitions. We began selling BIOCORNEUM®, an advanced silicone scar treatment directly to physicians after we acquired BIOCORNEUM® from Enaltus in March 2016. Additionally, we began selling the AlloX2®, and Dermaspan™ lines of breast tissue expanders, as well as the Softspan™ line of general tissue expanders, after we acquired these product lines from SSP in November 2016.

Our primary products are silicone gel breast implants for use in breast augmentation and breast reconstruction procedures, which we offer in approximately 400 variations of shapes, sizes, fill volumes and textures. Our breast implants are primarily used in elective procedures that are generally performed on a cash-pay basis. Many of our proprietary breast implants incorporate one or more technologies that differentiate us from our competitors, including High-Strength Cohesive silicone gel and shell texturing. Our breast implants offer a desired balance between strength, shape retention and softness due to the silicone shell and High-Strength Cohesive silicone gel used in our implants. The texturing on Sientra's implant shell is designed to reduce the incidence of malposition, rotation and capsular contracture.

Our breast implants were approved by the FDA in 2012, based on data we collected from our ongoing, long-term clinical trial of our breast implants in 1,788 women across 36 investigational sites in the United States, which included 3,506 implants (approximately 53% of which were smooth and 47% of which were textured). Our clinical trial is the largest prospective, long-term safety and effectiveness pivotal study of breast implants in the United

States and includes the largest magnetic resonance imaging, or MRI, cohort with 571 patients. The MRI cohort is a subset of study patients that underwent regular MRI screenings in addition to the ot her aspects of the clinical trial protocol prior to FDA approval. Post-approval, all patients in the long-term clinical trial are subject to serial MRI screenings as part of the clinical protocol. The clinical data we collected over a nine -year follow -up p eriod demonstrated rupture rates, capsular contracture rates and reoperation rates that were comparable to or better than those of our competitors, at similar time points. In addition to our pivotal study, our clinical data is supported by our Continued Ac cess Study of 2,497 women in the United States. We have also commissioned a number of bench studies run by independent laboratories that we believe further demonstrate the advantages of our breast implants over those of our competitors.

We sell our Breast Products exclusively to board-certified and board-admissible plastic surgeons, as determined by the American Board of Plastic Surgery, who we refer to as Plastic Surgeons. These surgeons have completed the extensive multi-year plastic surgery residency training required by the American Board of Plastic Surgery. While aesthetic procedures are performed by a wide range of medical professionals, including dermatologists, otolaryngologists, obstetricians, gynecologists, dentists and other specialists, the majority of aesthetic surgical procedures are performed by Plastic Surgeons. Plastic Surgeons are thought leaders in the medical aesthetics industry. According to the American Board of Plastic Surgery, there are approximately 6,500 board-certified plastic surgeons in the United States. We seek to provide Plastic Surgeons with differentiated services, including enhanced customer service offerings, a ten-year limited warranty that we believe is the best in the industry based on: providing patients with the largest cash reimbursement for certain out-of-pocket costs related to revision surgeries in a covered event; a lifetime no-charge implant replacement program for covered ruptures; and our industry-first CapCon Care Program, or C3 Program, through which we offer no-charge replacement implants to breast augmentation patients who experience capsular contracture within the first five years after implantation with our smooth or textured breast implants.

Between October 9, 2015 and March 1, 2016, we voluntarily suspended the sale of all Sientra devices manufactured by Silimed due to the suspension of Silimed's CE and ISO 13485 certifications by TÜV SÜD, Silimed's notified body under EU regulations. This was followed by Brazilian regulatory inquiries of Silimed and a suspension by the Brazilian regulatory agency ANVISA and the Department of the Secretary of State of Rio de Janeiro of the manufacturing and shipment of all medical devices made by Silimed, and their recommendation that plastic surgeons discontinue implanting the devices until further notice. See Note 1(b) to our Financial Statements for more information on the history of these developments with Silimed.

After ongoing discussions with the FDA and our own review of the matter with the assistance of independ ent experts in quality management systems, cGMP, and data-based risk assessment, on March 1, 2016, we lifted the temporary hold on sales. We also informed our Plastic Surgeons apprising them of our controlled market re-entry plan designed to optimize our inventory supply, which continues to be limited.

The events involving Silimed will likely continue to adversely impact our business, in particular due to the limitations on our existing inventory levels, the uncertainty of our customers' responsiveness to our controlled market re-entry plan , the fact that Silimed filed a lawsuit against us alleging, among other things, a material breach of the existing manufacturing contract, which expired on its terms on April 1, 2017 without renewal. See "Risk Factors — Risks Relating to Our Business and Our Industry" for further detail.

In response to these events and anticipated impacts on our business, we have increasingly focused our efforts on securing and qualifying an alternate manufacturing supplier.

On August 9, 2016, we announced our collaboration with Vesta, pursuant to which we are working with Vesta towards establishing a dedicated contract manufacturing facility for our breast implants. On March 14, 2017, we announced that we had executed a definitive manufacturing agreement with Vesta for the manufacture and supply of our breast implants. In addition, on March 14, 2017, we announced that we had submitted a PMA supplement to the FDA for the manufacturing of our PMA-approved breast implants by Vesta.

We sell our products in the United States through a direct sales organization, which as of March 31, 2017, consisted of 46 employees, including 38 sales representatives and 8 sales managers.

Components of Operating Re sults

Net Sales

We recognize revenue, net of sales discounts and estimated returns, as the customer has a standard six-month window to return purchased Breast Products. We commenced sales of our B reast Products in the United States in the second quarter of 2012 and our Breast Products have historically accounted for substantially all of our net sales. However, sales of our Breast Products accounted for 78% and 79% of our net sales for the three months ended March 31, 2017 and 2016, respectively. The percentage decrease in sales of Breast Products for the three months ended March 31, 2017 reflects a shift in product mix due to the increase of sales of our scar management products as a result of the acquisition of BIOCORNEUM® on March 9, 2016. Our net sales for the three months ended March 31, 2016 reflects the combined effect of the temporary hold on sales and implanting of Breast Products until March 1, 2016, our controlled re-entry to market designed to optimize our supply of Breast Products inventory and the commercial introduction of our scar management products. Sales of scar management products are included in the results of operations from the date of acquisition and accounted for 19% and 17% of our net sales for the three months ended March 31, 2017 and 2016, respectively.

We expect that, in the future, our net sales will fluctuate on a quarterly basis due to a variety of factors, including seasonality of breast augmentation procedures. We believe that breast implant sales are subject to seasonal fluctuation due to breast augmentation patients' planning their surgery leading up to the summer season and in the period around the winter holiday season.

Cost of Goods Sold and Gross Margin

Cost of goods sold consists primarily of costs of finished products purchased from our third-party manufacturers, reserve for product warranties, inventory fair market value adjustment, royalty costs, and warehouse and other related costs.

With respect to our breast implants, each particular style of implant has a fixed unit cost under the contract with our third-party manufacturers. Our recently acquired breast tissue expanders are manufactured in the United States under an exclusive contract with SiMatrix, a subsidiary of Vesta. Under our contract with SiMatrix, each particular product has a fixed unit cost. Our BIOCORNEUM® scar management products are manufactured in the United States under an exclusive contract with Formulated Solutions. Under our contract with Formulated Solutions, each particular product has a fixed unit cost.

We provide a commercial warranty on our silicone gel breast implants. The warranty covers device ruptures in certain circumstances and estimated warranty costs are recorded at the time of sale. In addition, the inventory fair market value associated with a non-cash purchase accounting adjustment and our royalty costs related to the acquisition of the tissue expander portfolio from SSP are recorded at the time of sale. Our warehouse and other related costs include labor, rent, product shipments from our third-party manufacturers, and other related costs.

We expect our overall gross margin, which is calculated as net sales less cost of goods sold for a given period divided by net sales, to fluctuate in future periods primarily as a result of quantity of units sold, manufacturing price increases, the changing mix of products sold with different gross margins, overhead costs and targeted pricing programs.

Sales and Marketing Expenses

Our sales and marketing expenses primarily consist of salaries, bonuses, benefits, incentive compensation, stock-based compensation and travel for our sales, marketing and customer support personnel. Our sales and marketing expenses also include expenses for trade shows, our no-charge customer shipping program and no-charge product evaluation units, as well as educational, promotional and marketing activities, including direct and online marketing. We expect our sales and marketing expenses to fluctuate in future periods as a result of headcount and timing of our marketing programs. However, we generally expect these costs will increase in absolute dollars.

Research and Development Expenses

Our research and development, or R&D, expenses primarily consist of clinical expenses, product development costs, regulatory expenses, consulting services, outside research activities, quality control and other costs associated with the development of our products and compliance with Good Clinical Practices, or cGCP, requirements. R&D expenses also include related personnel and consultant compensation and stock-based compensation expense. We expense R&D costs as they are incurred.

We expect our R&D expenses to vary as different development projects are initiated, including improvements to our existing products, expansions of our existing product lines, new product acquisitions and our FDA-required PMA post-approval studies of our breast implants. However, we generally expect these costs will increase in absolute terms over time as we continue to expand our product portfolio and add related personnel.

General and Administrative Expenses

Our general and administrative, or G&A, expenses primarily consist of salaries, bonuses, benefits, incentive compensation and stock-based compensation for our executive, financial, legal, business development and administrative functions. Other G&A expenses include outside legal counsel and litigation expenses, independent auditors and other outside consultants, corporate insurance, facilities and information technologies expenses.

We expect future G&A expenses to increase as we continue to build our finance, legal, information technology, human resources and other general administration resources to continue to advance the commercialization of our products. In addition, we expect to continue to incur G&A expenses in connection with operating as a public company, which may increase further when we are no longer able to rely on the "emerging growth company" exemption we are afforded under the Jumpstart Our Business Startups Act, or the JOBS Act.

Other Income (Expense), net

Other income (expense), net primarily consists of interest income, interest expense, changes in the fair value of common stock warrants and amortization of issuance costs associated with the Loan Agreement.

Income Taxes

Income tax expense consists of an estimate for income taxes based on the projected income tax expense for the period ended March 31, 2017. We operate in several tax jurisdictions and are subject to taxes in each jurisdiction in which we conduct business. To date, we have incurred cumulative net losses and maintain a full valuation allowance on our net deferred tax assets due to the uncertainty surrounding realization of such assets. However, as a result of the BIOCORNEUM® and tissue expander portfolio acquisitions, we have deferred tax liabilities associated with indefinite-lived intangible assets that cannot be considered sources of income to support the realization of the deferred tax assets, and have provided for tax expense and a corresponding deferred tax liability associated with these indefinite-lived intangible assets.

Critical Accounting Policies and Significant Judgments and Estimates

The preparation of our unaudited condensed financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the revenues and expenses incurred during the reported periods. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We discussed accounting policies and assumptions that involve a higher degree of judgment and complexity in Note 2 of the "Notes to Financial Statements" in our audited financial statements included in the Annual Report. There have been no material changes to our critical accounting policies and estimates from those disclosed in the Annual Report.

Recent Accounti ng Pronouncements

Please refer to Note 2 - Summary of Significant Accounting Policies in the notes to the unaudited condensed financial statements included in this Form 10-Q for information on recent accounting pronouncements and the expected impact on our financial statements.

Results of Operations

Comparison of the Three Months Ended March 31, 2017 and 2016

The following table sets forth our results of operations for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
	(unaudited, in thousands)	
Statement of operations data		
Net sales	$ 7,489	$ 1,471
Cost of goods sold	2,322	760
Gross profit	5,167	711
Operating Expenses		
Sales and marketing	6,955	5,109
Research and development	3,194	2,255
General and administrative	6,436	5,286
Total operating expenses	16,585	12,650
Loss from operations	(11,418)	(11,939)
Other income (expense), net		
Interest income	22	15
Interest expense	(9)	(1)
Other income (expense), net	8	(12)
Total other income (expense), net	21	2
Loss before income taxes	(11,397)	(11,937)
Income taxes	25	—
Net loss	$ (11,422)	$ (11,937)

Net Sales

Net sales increased $6.0 million, or 409.1%, to $7.5 million for the three months ended March 31, 2017, as compared to $1.5 million for the three months ended March 31, 2016. Net sales of our Breast Products increased $4.6 million to $5.8 million for the three months ended March 31, 2017, as compared to $1.2 million for the three months ended March 31, 2016, as a result of our controlled re-entry to market designed to optimize our supply of Breast Product inventory after the voluntary hold on the sale and implanting of all Sientra devices manufactured by Silimed between October 9, 2015 and March 1, 2016. Net sales of Breast Products for the three months ended March 31, 2017 also included sales of the tissue expander portfolio we acquired from SSP in November 2016. Net sales of our scar management products increased $1.1 million to $1.4 million for the three months ended March 31, 2017, as compared to $0.3 million for the three months ended March 31, 2016, as a result of integrating scar management products into our product mix after our acquisition of BIOCORNEUM® on March 9, 2016.

As of March 31, 2017, our sales organization included 38 sales representatives as compared to 35 sales representatives as of March 31, 2016.

Cost of Goods Sold and Gross Margin

Cost of goods sold increased $1.6 million, or 205.5%, to $2.3 million for the three months ended March 31, 2017, as compared to $0.8 million for the three months ended March 31, 2016. This increase was primarily due to an increase in sales volume driven by our controlled re-entry of Breast Products into the marketplace after the voluntary hold on the sale and implanting of all Sientra devices manufactured by Silimed between October 9, 2015 and March 1, 2016, along with an increase in sales volume of our scar management products after the acquisition of BIOCORNEUM® on March 9, 2016 and sales of our tissue expander portfolio we acquired from SSP in November 2016.

The gross margins for the three months ended March 31, 2017 and 2016 were 69.0% and 48.3%, respectively. The increase was primarily due to a decrease in reserves for inventory obsolescence recorded for product that we estimate to expire prior to being sold and decreased fixed overhead as a percentage of net sales, offset by the increase in amortization related to the fair value of inventory recorded from our acquisition of the SSP tissue expander portfolio in the fourth quarter of 2016.

Sales and Marketing Expenses

Sales and marketing expenses increased $1.9 million, or 36.1%, to $7.0 million for the three months ended March 31, 2017, as compared to $5.1 million for the three months ended March 31, 2016. The increase consisted primarily of a $1.0 million increase in direct marketing activities and travel expenses related to sales training and tradeshows and a $0.7 million increase in employee related costs as a result of an increase in variable expenses and stock based compensation.

Research and Development Expenses

Research and development expenses increased $0.9 million, or 41.6%, to $3.2 million for the three months ended March 31, 2017, as compared to $2.3 million for the three months ended March 31, 2016. The increase was primarily due to an increase of $0.7 million in employee related costs as a result of an increase in headcount and an increase of $0.3 million in consulting expenses related to product development activities.

General and Administrative Expenses

G&A expenses increased $1.2 million, or 21.8%, to $6.4 million for the three months ended March 31, 2017, as compared to $5.3 million for the three months ended March 31, 2016. The increase consisted primarily of a $0.7 million increase in employee related costs, a $0.2 million increase in outside legal counsel and consulting expenses, and $0.3 million increase in amortization costs related to the BIOCORNEUM® and SSP tissue expander portfolio acquisitions.

Other Income (Expense), net

Other income (expense), net for the three months ended March 31, 2017 was primarily associated with interest income on cash held in a money market account, expense recognized for the change in fair value of warrants and amortization of issuance costs associated with the Loan Agreement. Other income (expense), net for the three months ended March 31, 2016 was primarily associated with expense recognized for the change in fair value of warrants.

Income Tax Expense

Income tax expense for the three months ended March 31, 2017 was associated with a deferred tax liability associated with indefinite-lived intangible assets from the BIOCORNEUM® acquisition and the tissue expander portfolio acquisition from SSP that cannot offset deferred tax assets. There was no income tax expense recognized for the three months ended March 31, 2016.

Liquidity and Capital Resources

Since our inception, we have incurred significant net operating losses and anticipate that our losses will continue in the near term. We expect our operating expenses will continue to grow as we expand our operations. We will need to generate significant net sales to achieve profitability. To date, we have funded our operations primarily with proceeds from the sales of preferred stock, borrowings under our term loans, sales of our products since 2012, and the proceeds from the sale of our common stock in public offerings. As of March 31, 2017, we had no long-term debt or borrowings under our revolving line of credit.

In November 2014, we completed our IPO of common stock in which we sold 5,750,000 shares at a price of $1 5.00 per share, raising approximately $77.0 million in net proceeds after deducting underwriting discounts and commissions of approximately $6.0 million and offering expenses of approximately $3.2 million.

On September 23, 2015, we completed a follow-on pu blic offering of common stock in which we sold 3,000,000 shares at a price of $22.00 per share, raising approximately $61.4 million in net proceeds after deducting underwriting discounts and commissions of approximately $4.0 million and offering expenses of approximately $0.6 million.

On March 13, 2017, we entered into a Loan Agreement with SVB. Under the terms of the Loan Agreement, SVB made available to us a $15.0 million Revolving Line and a $5.0 million Term Loan. The Revolving Line expires in March 2020. The terms and conditions of our Loan Agreement are described in Note 9 of our unaudited condensed financial statements included in this report. In April 2017, we borrowed $5.0 million under the Revolving Line.

As of March 31, 2017, we had $58.8 million in cash and cash equivalents. Our historical cash outflows have primarily been associated with research and development activities, especially related to obtaining FDA approval for our breast implant portfolio and complying with the FDA's post-approval requirements, activities relating to commercialization and increases in working capital, including the purchase of inventory as well as the expansion of our sales force and marketing programs. In addition, we have used cash to fund the acquisitions of BIOCORNEUM® and the tissue expander portfolio from SSP. We believe that our available cash on hand, along with the availability under the Loan Agreement, will be sufficient to satisfy our liquidity requirements for at least the next 12 months from the date our financial statements are issued.

However, we expect that uncertainty regarding expenses we may continue to incur in connection with establishing new manufacturing capacity with Vesta or any other third-party manufacturer for our breast implants, and our unc ertainty regarding the amount of additional expenses we may incur in connection with regulatory inquiries, as well as expenses we may incur defending against litigation claims, including the Silimed Litigation, may have a material effect on our future cash outflows and our liquidity. As a result, we may be required to make or increase our borrowings under the Loan Agreement, as well as seek additional funds in the future from public or private offerings of our capital stock, borrowings under additional term loans or from other sources.

Cash Flows

The following table shows a summary of our cash flows (used in) provided by operating, investing and financing activities for the periods indicated:

	Three Months Ended March 31,	
	2017	2016
	(unaudited, in thousands)	
Net cash (used in) provided by:		
Operating activities	$ (8,189)	$ (12,397)
Investing activities	(952)	(7,365)
Financing activities	686	454
Net change in cash and cash equivalents	$ (8,455)	$ (19,308)

Cash used in operating activities

Net cash used in operating activities was $8.2 million during the three months ended March 31, 2017, as compared to $12.4 million during the three months ended March 31, 2016. The decrease in cash used in operating activities between the three months ended March 31, 2017 and 2016 was primarily associated with an increase in accrued liabilities due to the timing and payments of commissions, bonuses and vendor invoices during the three months ended March 31, 2017 as compared to the three months ended March 31, 2016.

Cash used in investing activities

Net cash used in investing activities was $1.0 million during the three months ended March 31, 2017 as compared to $7.4 million during the three months ended March 31, 2016. The decrease in cash used in investing activities between the three months ended March 31, 2017 and 2016 was primarily due to the $6.8 million cash outflow for the acquisition of BIOCORNEUM® for the three months ended March 31, 2016.

Cash provided by financing activities

Net cash provided by financing activities was $0.7 million during the three months ended March 31, 2017 as compared to $0.5 million during the three months ended March 31, 2016. The increase in cash provided by financing activities was primarily the result of an increase in proceeds from exercise of employee stock options, offset by tax payments related to shares withheld for vested RSUs for the three months ended March 31, 2017.

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

- the timing to qualify Vesta with the FDA and the timing and availability of any alternative manufacturing sources, and costs associated with procuring and qualifying such manufacturing capacity;
- net sales generated by our Breast Products, scar management products, and any other future products that we may develop and commercialize;
- costs associated with expanding our sales force and marketing programs;
- cost associated with developing and commercializing our proposed products or technologies;
- expenses we incur in connection with potential litigation or governmental investigations;
- cost of obtaining and maintaining regulatory clearance or approval for our current or future products;
- cost of ongoing compliance with regulatory requirements;
- anticipated or unanticipated capital expenditures; and
- unanticipated G&A expenses.

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

- support of our sales and marketing efforts related to our current and future products;
- new product acquisition and development efforts ;
- facilities expansion needs;

- investment in inventory required to meet customer demands; and
- expenses we incur in connection with defending against litigation, including the Silimed litigation.

Although we believe the foregoing items reflect our most likely uses of cash in the short-term, we cannot predict with certainty all of our particular short-term cash uses or the timing or amount of cash used. If cash generated from operations is insufficient to satisfy our working capital and capital expenditure requirements, we may be required to sell additional equity or debt securities or obtain credit facilities. Additional capital, if needed, may not be available on satisfactory terms, if at all. Furthermore, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may include restrictive covenants. For a discussion of other factors that may impact our future liquidity and capital funding requirements, see "Risk Factors — Risks Related to Our Financial Results."

Contractual Obligations and Commitments

As of March 31, 2017, there have been no material changes to our contractual obligations and commitments outside the ordinary course of business from those disclosed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" in the Annual Report.

Off-Balance Sheet Arrangements

During the periods presented we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2017, we had $58.8 million in cash and cash equivalents. We generally hold our cash in checking accounts and interest-bearing money market accounts. Our exposure to market risk related to interest rate sensitivity is affected by changes in the general level of U.S. interest rates. Due to the short-term maturities of our cash equivalents and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents. We have established guidelines regarding approved investments and maturities of investments, which are designed to maintain safety and liquidity.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our independent registered public accounting firm will first be required to attest to the effectiveness of our internal control over financial reporting for our Annual Report on Form 10-K for the first year we are no longer an "emerging growth company" under the JOBS Act.

As we disclosed in our Annual Report, we identified a material weakness in our internal control over financial reporting related to the Company not maintaining sufficiently trained resources with knowledge of internal control over financial reporting as it relates to accounting for significant unusual transactions, including coordination with external service providers. As a result, we did not have in place effective management review controls over business combinations, specifically key assumptions, financial data and calculations used to measure the fair value of acquired assets and liabilities, including contingent consideration prepared by its external service provider.

As described in our Annual Report, we are taking steps to remediate this material weakness in internal contro l over financial reporting; however, additional time will be required to assess and ensure remediation of these processes and procedures. Our goal is to remediate the identified material weakness by the end of 2017.

Because of the material weakness in our internal control over financial reporting as previously disclosed, our chief executive officer and chief financial officer concluded that, as of March 31, 2017, the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, were not effective. Our management, including our chief executive officer and chief financial officer, has concluded that, notwithstanding the material weakness in our internal control over financial reporting, the condensed consolidated financial statements in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Changes in Internal Control over Financial Reporting

We are taking actions to remediate the material weakness relating to our internal control over financial reporting, as described above. Except as otherwise described herein, there was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II . OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings and regulatory proceedings arising out of our operations. We establish reserves for specific liabilities in connection with legal actions that we deem to be probable and estimable. The ability to predict the ultimate outcome of such matters involves judgments, estimates, and inherent uncertainties. The actual outcome of such matters could differ materially from management's estimates.

Class Action Shareholder Litigation

On September 25, 2015, a lawsuit styled as a class action of the Company's stockholders was filed in the United States District Court for the Central District of California. The lawsuit names the Company and certain of our officers as defendants, or the Sientra Defendants, and alleges violations of Sections 10(b) and 20(a) of the Exchange Act in connection with allegedly false and misleading statements concerning the Company's business, operations, and prospects. The plaintiff seeks damages and an award of reasonable costs and expenses, including attorneys' fees. On November 24, 2015, three stockholders (or groups of stockholders) filed motions to appoint lead plaintiff(s) and to approve their selection of lead counsel. On December 10, 2015, the court entered an order appointing lead plaintiffs and approving their selection of lead counsel. On February 19, 2016, lead plaintiffs filed their consolidated amended complaint, which added claims under Sections 11, 12(a)(2), and 15 of the Securities Act and named as defendants the underwriters associated with the Company's follow-on public offering that closed on September 23, 2015, or the Underwriter Defendants. On March 21, 2016, the Sientra Defendants and the Underwriter Defendants each filed a motion to dismiss, or the Motions to Dismiss, the consolidated amended complaints. On April 20, 2016, lead plaintiffs filed their opposition to the Motions to Dismiss, and the Sientra Defendants and Underwriter Defendants filed separate replies on May 5, 2016. On June 9, 2016, the court granted in part and denied in part the Motions to Dismiss. On July 14, 2016, the Sientra Defendants moved the court to reconsider its June 9, 2016 order and grant the Motions to Dismiss in full. On August 4, 2016, lead plaintiffs filed an opposition to the motion for reconsideration. On August 12, 2016, the court denied the motion for reconsideration, and the Sientra Defendants and the Underwriter Defendants each filed an answer to the consolidated amended complaint.

On October 28, November 5, and November 19, 2015, three lawsuits styled as class actions of the Company's stockholders were filed in the Superior Court of California for the County of San Mateo. The lawsuits name the Company, certain of our officers and directors, and the underwriters associated with our follow-on public offering that closed on September 23, 2015 as defendants. The lawsuits allege violations of Sections 11, 12(a)(2), and 15 of

the Securities Act in connection with allegedly false and misleading sta tements in our offering documents associated with the follow-on offering concerning our business, operations, and prospects. The plaintiffs seek damages and an award of reasonable costs and expenses, including attorneys' fees. On December 4, 2015, defendan ts removed all three lawsuits to the United States District Court for the Northern District of California. On December 15 and December 16, 2015, plaintiffs filed motions to remand the lawsuits back to San Mateo Superior Court, or Motions to Remand. On Ja nuary 19, 2016, defendants filed their opposition to the Motions to Remand, and plaintiffs filed their reply in support of the Motions to Remand on January 26, 2016.

On May 20, 2016, the United States District Court for the Northern District of California granted plaintiffs' Motions to Remand, and the San Mateo Superior Court received the remanded cases on May 27, 2016. On July 19, 2016, the San Mateo Superior Court consolidated the three lawsuits. On August 2, 2016, plaintiffs filed their consolidated complaint. On August 5, 2016, defendants filed a motion to stay all proceedings in favor of the class action filed in the United States District Court for the Central District of California.

On September 13, 2016, the parties to the actions pending in the San Mateo Superior Court and the United States District Court for the Central District of California signed a memorandum of understanding that sets forth the material deal points of a settlement that covers both actions and includes class-wide relief. On September 13, 2016, and September 20, 2016, respectively, the parties filed notices of settlement in both courts. On September 22, 2016, the United States District Court for the Central District of California stayed that action pending the court's approval of a settlement. On September 23, 2016, the San Mateo Superior Court stayed that action as well as pending the court's approval of a settlement.

On December 20, 2016, the plaintiffs in the federal court action filed a motion for preliminary approval of the class action settlement. On January 23, 2017, the United States District Court for the Central District of California preliminarily approved the settlement. A final approval hearing in that court is scheduled for May 22, 2017. On January 5, 2017, the plaintiffs in the state court action also filed a motion for preliminary approval of the class action settlement. On February 7, 2017, the San Mateo Superior Court preliminarily approved the settlement. A final approval hearing in that court is scheduled for May 31, 2017. On April 24, 2017, the plaintiffs in the federal court action and the state court action each filed their motion for final approval of the class action settlement, approval of the proposed plan of allocation, and an award of attorneys' fees and expenses. The settlement is contingent upon final approval by both the San Mateo Superior Court and the United States District Court for the Central District of California.

As a result of these developments, we determined that a probable loss had been incurred and we recognized a net charge to earnings of approximately $1.6 million for the year ended December 31, 2016 within general and administrative expense which was comprised of the loss contingency of approximately $10.9 million, net of expected insurance proceeds of approximately $9.4 million. In the first quarter of 2017, we received $9.3 million in insurance proceeds and paid the $10.9 million loss contingency. The remaining insurance proceeds receivable is classified as "insurance recovery receivable" on the accompanying condensed balance sheets. While it is possible that the Company may incur a loss greater than the amounts recognized in the accompanying financial statements, the Company is unable to determine a range of possible losses greater than the amount recognized.

Silimed Litigation

On November 6, 2016, Silimed filed a lawsuit in the United States District Court for the Southern District of New York naming Sientra as the defendant and alleging breach of contract of the Silimed Agreement, unfair competition and misappropriation of trade secrets against us. In its complaint, Silimed alleges that our theft, misuse, and improper disclosure of Silimed's confidential, proprietary, and trade secret manufacturing information was done in order for us to develop our own manufacturing capability that we intend to use to manufacture our PMA-approved products. Silimed is seeking a declaration that we are in material breach of the Silimed Agreement, a preliminary and permanent injunction to prevent our allegedly wrongful use and disclosure of Silimed's confidential and proprietary information, as well as unquantified compensatory and punitive damages. On November 15, 2016, Sientra filed its answer and counterclaims for declaratory judgment in which it denied that Silimed is entitled to any relief including, among other reasons, because of Silimed's material breach of the Silimed Agreement and Silimed's unclean hands, and further seeks declaratory relief that Sientra is the owner of certain assets it acquired from Silimed, Inc. in 2007, that Sientra owns, or is exclusively licensed, to any improvements created since April 2007,

that Silimed lacks any confidential information or proprietary rights under the Silimed Agreement, and that Silimed lacks any relevant trade secret rights. On December 9, 2016 , Silimed filed a motion to strike the Company's counterclaims. Briefing on that motion was completed on December 30, 2016, and the parties are waiting for a decision from the court. On February 1, 2017, Sientra filed a motion to stay Silimed's breach of contract claim in light of a demand for arbitration filed by Sientra against Silimed on January 20, 2017 concerning Silimed's material breaches of the Silimed Agreement, and to further dismiss, or alternatively stay, the unfair competition and misappropri ation of trade secrets claims. Briefing on that motion was completed on February 22, 2017, and the parties are waiting for a decision from the court. On February 3, 2017, the court held an initial pre-trial conference and entered a pre-trial scheduling o rder which set a final pre-trial conference date of August 3, 2018. We believe that Silimed's claims are legally and factually unsupported and intend to defend this lawsuit vigorously.

On January 20, 2017, Sientra filed an arbitration demand in the International Center for Dispute Resolution, or ICDR, in New York naming Silimed as the defendant and alleging material breach of the Silimed Agreement, gross negligence and tortious interference by Silimed, as well as seeking certain declaratory relief. Among other things, Sientra alleges that Silimed's supply failure constitutes a material breach of the Silimed Agreement, and that such breach was caused by Silimed's grossly negligent or other willful conduct related to its regulatory suspensions and the fire at its manufacturing facility. Silimed filed its answer to Sientra's arbitration demand and counterclaim on March 8, 2017. Sientra filed its answer to Silimed's counterclaims on April 10, 2017. The parties nominated their party arbitrators on March 13, 2017 and their appointment was confirmed by the ICDR by April 5. 2017. The party appointed arbitrators nominated a president of the tribunal on May 8, 2017 and their appointment is awaiting confirmation from the ICDR.

Item 1A. RISK FACTORS

You should carefully consider the following risk factors, as well as the other information in this report, before deciding whether to purchase, hold or sell shares of our common stock. The occurrence of any of the following risks could harm our business, financial condition, results of operations and/or growth prospects or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. You should consider all of the risk factors described when evaluating our business. We have marked with an asterisk (*) those risk factors that reflect changes from the risk factors included in Item 1A of the Annual Report.

Risks Relating to Our Business and Our Industry

We may not be able to procure and qualify a new manufacturer for our silicone gel breast implants and other products previously manufactured by Silimed.*

Our manufacturing contract with Silimed expired on its terms on April 1, 2017, and we did not renew it. Moreover, our existing inventory of breast implants that were previously manufactured by Silimed is limited.

Although we have entered into a definitive manufacturing agreement with Vesta, Vesta has not yet been qualified as a manufacturer to source our implants. We recently submitted a PMA supplement to the FDA for the manufacturing of our PMA-approved implants by Vesta, but the timing of when we may obtain FDA approval, if any, could be subject to delays, some of which are beyond our control. Moreover, Vesta, or any other alternate manufacturer, would need to be qualified with the FDA, which is an expensive and time-consuming process. Any delays or our inability to qualify Vesta or negotiate a manufacturing agreement and qualify another alternate manufacturer could result in a supply interruption, which would materially adversely affect our business, financial condition and results of operations.

We are in litigation with Silimed, our former sole source supplier of our silicone gel breast implants and certain other products.*

On November 6, 2016, Silimed filed a lawsuit in the United States District Court for the Southern District of New York naming Sientra as the defendant and alleging breach of contract of the Silimed Agreement, unfair competition and misappropriation of trade secrets against us. In its complaint, Silimed alleges that our theft, misuse, and

impro per disclosure of Silimed's confidential, proprietary, and trade secret manufacturing information was done in order for us to develop our own manufacturing capability that we intend to use to manufacture our PMA-approved products. Silimed is seeking a dec laration that we are in material breach of the Silimed Agreement, a preliminary and permanent injunction to prevent our allegedly wrongful use and disclosure of Silimed's confidential and proprietary information, as well as unquantified compensatory and pu nitive damages. On November 15, 2016, Sientra filed its answer and counterclaims for declaratory judgment in which it denied that Silimed is entitled to any relief including, among other reasons, because of Silimed's material breach of the Silimed Agreeme nt and Silimed's unclean hands, and further seeks declaratory relief that Sientra is the owner of certain assets it acquired from Silimed, Inc. in 2007, that Sientra owns, or is exclusively licensed, to any improvements created since April 2007, that Silim ed lacks any confidential information or proprietary rights under the Silimed Agreement, and that Silimed lacks any relevant trade secret rights. On December 9, 2016, Silimed filed a motion to strike the Company's counterclaims. Briefing on that motion w as completed on December 30, 2016, and the parties are waiting for a decision from the court. On February 1, 2017, Sientra filed a motion to stay Silimed's breach of contract claim in light of a demand for arbitration filed by Sientra against Silimed on J anuary 20, 2017 concerning Silimed's material breaches of the Silimed Agreement, and to further dismiss, or alternatively stay, the unfair competition and misappropriation of trade secrets claims. Briefing on that motion was completed on February 22, 2017 , and the parties are waiting for a decision from the court. On February 3, 2017, the court held an initial pre-trial conference and entered a pre-trial scheduling order which set a final pre-trial conference date of August 3, 2018. We believe that Silime d's claims are legally and factually unsupported and intend to defend this lawsuit vigorously.

We believe Silimed's claims are legally and factually unsupported and intend to defend this lawsuit vigorously. However, we cannot provide assurance that we will be successful in our defense. If Silimed were to succeed in establishing that any protectable Silimed IP rights were in fact unlawfully compromised by our new manufacturing relationship with Vesta in a manner that warrants injunctive relief, we could be subject to an injunction which may delay or otherwise hinder our ability to procure and qualify an alternate manufacturing supplier of our silicone gel breast implants, and we could be required to pay Silimed damages, which risks could have a material adverse effect on our business, results of operations and financial condition depending on the scope of any injunctive relief and the size of any damage award. Adverse effects, if any, on our business results of operations and financial condition with respect to such claims are difficult to assess. In any event, we expect to incur increased costs associated with defending this lawsuit and the diversion of our management's attention from the existing business, which could also adversely affect our results of operations and financial condition.

We depend on a positive reaction from our Plastic Surgeons and their patients to successfully re-enter the market after our voluntary suspension of the sale of Sientra devices manufactured by Silimed.*

As a result of the regulatory inquiries into Silimed-manufactured products, on October 9, 2015, we voluntarily placed a temporary hold on the sale of all Sientra devices manufactured by Silimed and recommended that plastic surgeons discontinue implanting the devices until further notice. We then conducted extensive independent, third-party testing and analyses of our finished goods inventory which indicated no anticipated safety concerns with the use of Sientra's products, including our breast implants, consistent with their FDA approval status in 2012. Each of the FDA, ANVISA and MHRA also noted that no risks to patient health have been identified in connection with implanting Silimed-manufactured products, and, accordingly, there is no need to adopt any procedure or action for those patients who have received them. Therefore, on March 1, 2016, we lifted the temporary hold on the sale of our devices manufactured by Silimed and informed our Plastic Surgeons of our controlled market re-entry plan designed to optimize our inventory levels, which continues to be limited. Although our market re-entry decision was based on extensive testing and detailed independent third party reviews, we depend on a continued positive reception from our Plastic Surgeon customers and their patients to be able to reestablish the market position we had prior to the voluntary suspension. Additionally, our re-entry into the market has required us to effectively and responsibly educate accounts on the results of our testing and reconfirm our strong clinical data, while providing the same high levels of customer service to which our Plastic Surgeons are accustomed. Our plastic surgery consultants are working diligently to solidify the confidence and support of all our Plastic Surgeons; however, if we are not successful in re-establishing and maintaining these relationships or competing effectively in this market, our sales revenues, market share and financial performance will be affected negatively.

Contracting with any third-party manufacturer and suppl ier involves inherent risks and various factors outside our direct control that may adversely affect the manufacturing and supply of our breast implants, tissue expanders and other products.

Our reliance on any third-party manufacturer, including Vesta, Formulated Solutions, LLC, or Formulated Solutions, which supplies our BIOCORNEUM® scar management products, SiMatrix, a Vesta subsidiary that supplies the tissue expanders we recently acquired from SSP, or any other third-party manufacturer we procure and qualify for the manufacture of our breast implants involves a number of risks. Manufacturing and supply of our breast implants, tissue expanders and other products is technically challenging. Changes that our manufacturers may make outside the purview of ou r direct control can have an impact on our processes and quality, as well as the successful delivery of products to Plastic Surgeons. Mistakes and mishandling are not uncommon and can affect production and supply. Additionally, there are only a few suppli ers of medical-grade silicone available , and if these suppliers become unable or unwilling to supply medical-grade silicone to Vesta, Formulated Solutions, SiMatrix or any other manufacturer that we may engage with, an alternate supply of medical-grade sil icone may not be able to be found in a timely manner. Some of the additional risks with relying on third-party manufacturers and suppliers include:

- our products may not be manufactured in accordance with agreed upon specifications or in compliance with regulatory requirements or cGMP, or the manufacturing facilities may not be able to maintain compliance with regulatory requirements or cGMP, which could negatively affect the safety or efficacy of our products or cause delays in shipments of our products;
- we may not be able to timely respond to unanticipated changes in customer orders, and if orders do not match forecasts, we may have excess or inadequate inventory of materials and components;
- our products may be mishandled while in production or in preparation for transit;
- we are subject to transportation and import and export risk, particularly given the global nature of our supply chain;
- the third-party manufacturer may discontinue manufacturing and supplying products to us for risk management reasons;
- the third-party manufacturer may lose access to critical services and components, resulting in an interruption in the manufacturing or shipment of our products;
- the third-party manufacturer may encounter financial or other hardships unrelated to us and our demand for products, which could inhibit our ability to fulfill our orders;
- there may be delays in analytical results or failure of analytical techniques that we depend on for quality control and release of products;
- natural disasters, labor disputes, financial distress, lack of raw material supply, issues with facilities and equipment or other forms of disruption to business operations affecting our manufacturer or its suppliers may occur;
- latent defects may become apparent after products have been released and which may result in a recall of such products; and
- t here are inherent risks if we contract with manufacturers located outside of the United States, including the risks of economic change, recession, labor strikes or disruptions, political turmoil, new or changing tariffs or trade barriers, new or different restrictions on importing or exporting, civil unrest, infrastructure failure, cultural differences in doing business, lack of contract enforceability, lack of protection for intellectual property, war and terrorism.

The materialization of any of these risks and limitations inherent in a third-party manufacturing contractual relationship could significantly increase our costs, impair our ability to generate net sales, and adversely affect market acceptance of our products and customers may instead purchase or use our competitors' products, which could materially adversely and severely affect our business, financial condition and results of operations.

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

Since our inception, we have incurred significant net operating losses. As of March 31, 2017, we had an accumulated deficit of $226.9 million. To date, we have financed our operations primarily through sales of preferred stock, borrowings under our term loans, sales of our products since 2012, our initial public offering and our follow-on public offering of our common stock. We have devoted substantially all of our resources to the acquisition and clinical development of our products, the commercial launch of our products, the development of a sales and marketing team and the assembly of a management team to manage our business.

For the three months ended March 31, 2017, our net loss was $11.4 million. The extent of our future operating losses and the timing of profitability are uncertain, especially in light of our inventory supply issues. We will need to generate significant sales to achieve profitability, and we might not be able to do so. Even if we do generate significant sales, we might not be able to achieve, sustain or increase profitability on a quarterly or annual basis in the future. If our sales grow more slowly than we have forecasted, or if our operating expenses exceed our forecasts, our financial performance and results of operations will be adversely affected.

Our future profitability depends on the success of our Breast Products.

Our Breast Products have historically accounted for substantially all of our net sales and we expect our Breast Products to continue to be a substantial majority of our net sales. Our inability to manage our inventory supply issues, the inability to qualify Vesta or another third party as an alternate manufacturer, the potential loss of market acceptance of our Breast Products, or any adverse rulings by regulatory authorities, any adverse finding in the Silimed Litigation, any adverse publicity or other adverse events relating to us or our Breast Products, or the introduction of competitive products by our competitors and other third parties, would adversely affect our business, financial condition and results of operations.

Any negative publicity concerning our products could harm our business and reputation and negatively impact our financial results.

The responses of potential patients, physicians, the news media, legislative and regulatory bodies and others to information about complications or alleged complications of our products could result in negative publicity and could materially reduce market acceptance of our products. These responses or any investigations and potential resulting negative publicity may have a material adverse effect on our business and reputation and negatively impact our financial condition, results of operations or the market price of our common stock. In addition, significant negative publicity could result in an increased number of product liability claims against us.

We may not realize the benefits of our acquisitions which may be subject to additional risks and uncertainties.

In March 2016, we acquired BIOCORNEUM®, an advanced silicone gel scar management product from Enaltus. In November 2016, we acquired certain assets, consisting of the Dermaspan™, Softspan™, and AlloX2® tissue expanders, from SSP. These acquisitions were made in an effort to add differentiated and complementary products that serve the needs of Plastic Surgeons while diversifying our business mix.

Our acquisition of BIOCORNEUM® involves risks and uncertainties including that we have limited experience in the scar management industry, our management's attention may be diverted from our existing business as we attempt to integrate BIOCORNEUM® and the integration may not be successful. Additionally, BIOCORNEUM® is an over-the-counter pharmaceutical registered with the FDA, and there may be risks associated with the use of BIOCORNEUM® including skin irritation, rash, itching or accidental application into the eye or ingestion. We also rely on Formulated Solutions as our sole source, third-party manufacturer of BIOCORNEUM® and if Formulated

Solutions becomes unable or unwilling to supply BIOCORNEUM®, we may not be able to find an alternate supplier in a timely manner.

Our acquisition of the tissue expanders from SSP also involves risk and uncertainties including that our management's attention may be diverted from our existing business as we integrate the Dermaspan™, Softspan™, and AlloX2® tissue expanders; and the integration of these products into our existing business may not be successful or we may not achieve the anticipated benefits. Additionally, these SSP products are currently manufactured and supplied by SiMatrix, a Vesta subsidiary, and if SiMatrix becomes unable or unwilling to supply these products, we may not be able to find an alternate supplier in a timely manner. Our existing manufacturing contract with SiMatrix expires on its terms on November 1, 2017, and there can be no assurance that SiMatrix will agree to continue to manufacture and supply such products after the expiration of our contract or they may impose increased pricing terms if the contract is renegotiated or renewed.

We do not know if we will be able to successfully integrate these recently acquired products into our existing business, or whether unforeseen risks associated with their uses will materialize. Our inability to integrate these acquired products effectively or realize anticipated synergies may adversely affect our business, financial condition and results of operations.

We may not realize the benefits of partnerships with other companies, acquisitions of complementary products or technologies or other strategic alternatives.

In addition to our acquisitions of BIOCORNEUM® and the tissue expanders from SSP, from time to time, we may consider additional opportunities to partner with or acquire other businesses, products or technologies that may enhance our product platform or technology, expand the breadth of our markets or customer base or advance our business strategies. Potential partnerships or acquisitions involve numerous risks, including:

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

We do not know if we will be able to identify partnerships or acquisitions we deem suitable, whether we will be able to successfully complete any such partnerships or acquisitions on favorable terms or at all, or whether we will be able to successfully integrate any partnered or acquired products or technologies. Our potential inability to integrate any partnered or acquired products or technologies effectively or realize anticipated synergies may adversely affect our business, financial condition and results of operations.

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

We commenced operations in 2007 and began commercializing silicone gel breast implants in the second quarter of 2012. Accordingly, we have a limited operating history upon which to evaluate our business and forecast our future net sales and operating results. In assessing our business prospects, you should consider the various risks and difficulties frequently encountered by companies early in their commercialization in competitive markets, particularly companies that develop and sell medical devices. These risks include our ability to:

- implement and execute our business strategy;
- expand and improve the productivity of our sales force and marketing programs to grow sales of our existing and proposed products;
- increase awareness of our brand and build loyalty among Plastic Surgeons;
- manage expanding operations;
- respond effectively to competitive pressures and developments;
- enhance our existing products and develop new products;
- obtain regulatory clearance or approval to enhance our existing products and commercialize new products;
- perform clinical trials with respect to our existing products and any new products; and
- attract, retain and motivate qualified personnel in various areas of our business.

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

If we fail to compete effectively against our competitors, both of which have significantly greater resources than we have, our net sales and operating results may be negatively affected.

Our industry is intensely competitive and subject to rapid change from the introduction of new products, technologies and other activities of industry participants. Our competitors, Mentor, a wholly owned subsidiary of Johnson & Johnson, and Allergan are well-capitalized global pharmaceutical companies that have been the market leaders for many years and have the majority share of the breast implant market in the United States. These competitors also enjoy several competitive advantages over us, including:

- greater financial and human resources for sales, marketing and product development;
- established relationships with health care providers and third-party payors;
- established reputations and name recognition among health care providers and other key opinion leaders in the plastic surgery industry;
- in some cases, an established base of long-time customers;
- products supported by long-term clinical data;

- larger and more established distribution networks;
- greater ability to cross-sell products; and
- more experience in conducting research and development, manufacturing, performing clinical trials and obtaining regulatory approval or clearance.

If we fail to compete effectively against our competitors, our net sales and operating results may be negatively affected.

Pricing pressure from customers and our competitors may impact our ability to sell our products at prices necessary to support our current business strategies.

Our 2012 entry into the U.S. breast implant market represented a significant expansion of the breast implant choices and technologies available in the United States. As a result of our entry into the U.S. breast implant market, our competitors intensified competitive pricing pressure for traditional round-shaped breast implants. If we are not successful in convincing customers or third-party payors of our breast implants as compared to our competitors' products, third-party payors may not cover or adequately reimburse our products and customers may choose our competitors' products.

The long-term safety of our products has not fully been established and our breast implants are currently under study in our PMA post-approval studies, which could reveal unanticipated complications.

We have been marketing our silicone gel breast implants in the United States with pre-market approval from the FDA since 2012. However, there could still be unanticipated complications or unforeseen health consequences of being implanted with our silicone gel breast implants over the long-term (defined as 10 years or more). Additionally, we rely on our clinical data to make favorable comparisons of our product to our competitive products, and our longer-term data may change over time. Further, future studies or clinical experience may indicate that treatment with our products is not differentiated to treatment with competitive products. Such results could slow the adoption of our products and significantly reduce our sales, which could prevent us from achieving our forecasted sales targets or achieving or sustaining profitability. Moreover, if long-term results and experience indicate that our products cause unexpected or serious complications, we could be subject to mandatory product recalls, suspension or withdrawal of clearance or approval by the FDA or other applicable regulatory bodies and significant legal liability.

Among the long-term health risks of breast implants which are being studied is the possible association between breast implants and a rare form of cancer called anaplastic large-cell lymphoma.*

In January 2011, the FDA indicated that there was a possible association between saline and silicone gel breast implants and anaplastic large-cell lymphoma, or ALCL. Since our FDA approval in 2012, Sientra's breast-implant product label, which is approved by the FDA, has been required to contain a description of ALCL as a possible, though rare, outcome. Since its report in January 2011, the FDA continues to gather information about ALCL in women with breast implants through the review of medical device reports, review of medical literature, and collaboration with international regulators, scientific experts, ASPS, ASAPS, ISAPS, and other organizations. On February 1, 2017, the FDA provided further guidance on ALCL and has reiterated that ALCL is extremely rare, and stated that at this time, most data suggests that ALCL occurs more frequently following implantation of breast implants with textured surfaces rather than those with smooth surfaces. The FDA noted it does not recommend prophylactic breast implant removal in a patient without symptoms or other abnormality. Further studies or clinical experience may indicate that breast implants, including our products, expose individuals to a more substantial risk of developing ALCL or other unexpected complications than currently anticipated. As a result, we may be exposed to increased regulatory scrutiny, negative publicity and lawsuits from any individual who may develop ALCL after using our products, any of which could have a significant negative impact on our results of operations or financial condition. Moreover, if long-term results and clinical experience indicate that our products cause unexpected or serious complications, we could be subject to mandatory product recalls, suspension or withdrawal of regulatory clearances and approvals and significant legal liability.

If we are unable to train Plastic Surgeons on the safe and appropria te use of our products, we may be unable to achieve our expected growth.

An important part of our sales process includes the ability to educate Plastic Surgeons about the availability of anatomically-shaped breast implants and train Plastic Surgeons on the safe and appropriate use of our products. If we become unable to attract potential new Plastic Surgeon customers to our education and training programs, we may be unable to achieve our expected growth.

There is a learning process involved for Plastic Surgeons to become proficient in the use of our anatomically-shaped products. It is critical to the success of our commercialization efforts to train a sufficient number of Plastic Surgeons and provide them with adequate instruction in the appropriate use of our products via preceptorships and additional demonstration surgeries. This training process may take longer than expected and may therefore affect our ability to increase sales. Following completion of training, we rely on the trained Plastic Surgeons to advocate the benefits of our products in the marketplace. Convincing Plastic Surgeons to dedicate the time and energy necessary for adequate training is challenging, and we cannot assure you that we will be successful in these efforts. If Plastic Surgeons are not properly trained, they may misuse or ineffectively use our products. This may also result in, among other things, unsatisfactory patient outcomes, patient injury, negative publicity or lawsuits against us, any of which could have an adverse effect on our business and reputation.

If we are unable to continue to enhance our existing Breast Products and develop and market new products that respond to customer needs and preferences and achieve market acceptance, we may experience a decrease in demand for our products and our business could suffer.

We may not be able to compete effectively with our competitors, and ultimately satisfy the needs and preferences of our customers, unless we can continue to enhance existing products and develop and market new innovative products. Product development requires the investment of significant financial, technological and other resources. Product improvements and new product introductions also require significant planning, design, development and testing at the technological, product and manufacturing process levels and we may not be able to timely develop product improvements or new products. Our competitors' new products may beat our products to market, be more effective with new features, obtain better market acceptance or render our products obsolete. Any new or modified products that we develop may not receive clearance or approval from the FDA, or achieve market acceptance or otherwise generate any meaningful sales or profits for us relative to our expectations based on, among other things, existing and anticipated investments in manufacturing capacity and commitments to fund advertising, marketing, promotional programs and research and development.

If changes in the economy and consumer spending reduce consumer demand for our products, our sales and profitability would suffer.

We are subject to the risks arising from adverse changes in general economic and market conditions. Certain elective procedures, such as breast augmentation and body contouring, are typically not covered by insurance. Adverse changes in the economy may cause consumers to reassess their spending choices and reduce the demand for these surgeries and could have an adverse effect on consumer spending. This shift could have an adverse effect on our net sales. Furthermore, consumer preferences and trends may shift due to a variety of factors, including changes in demographic and social trends, public health initiatives and product innovations, which may reduce consumer demand for our products.

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

We need to maintain substantial levels of inventory to protect ourselves from supply interruptions, provide our customers with a wide range of shapes and sizes of our breast implants, and account for the high return rates we experience as Plastic Surgeons typically order our products in multiple sizes for a single surgery and then return what they do not use. As a result of the substantial inventory levels we like to maintain, we are subject to the risk that a substantial portion of our inventory becomes obsolete. The materialization of any of these risks may have a material adverse effect on our earnings and cash flows due to the resulting costs associated with the inventory impairment charges and costs required to replace such inventory. Additionally, our ability to find an alternate

supplier in a timely manner, may affect our ability to maintain the level of inventory supply we require to protect ourselves from supply interruptions that could have an unfavorable impact on our net sales.

Any disruption at our facilities could adversely affect our business and operating results.

Our principal offices are located in Santa Barbara, California. Substantially all of our operations are conducted at this location, including customer service, development and management and administrative functions. Substantially all of our inventory of finished goods is held at a second location in Santa Barbara, California. Despite our efforts to safeguard our facilities, including acquiring insurance, adopting health and safety protocols and utilizing off-site storage of computer data, vandalism, terrorism or a natural or other disaster, such as an earthquake, fire or flood, could damage or destroy our inventory of finished goods, cause substantial delays in our operations, result in the loss of key information and cause us to incur additional expenses. Our insurance may not cover our losses in any particular case. In addition, regardless of the level of insurance coverage, damage to our facilities may have a material adverse effect on our business, financial condition and operating results.

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

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

The failure of our or our service providers' information technology could disrupt our entire operation or result in decreased sales, increased overhead costs and product shortages, all of which could have a material adverse effect on our reputation, business, financial condition and operating results.

We may be adversely affected by earthquakes or other natural disasters and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our corporate headquarters and certain other facilities are located in Santa Barbara, California, which in the past has experienced both severe earthquakes and wildfires. We do not carry earthquake insurance. Earthquakes, wildfires or other natural disasters could severely disrupt our operations, and have a material adverse effect on our business, results of operations, financial condition and prospects.

If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure, such as our enterprise financial systems or manufacturing resource planning and enterprise quality systems, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place currently are limited and are unlikely to prove adequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, particularly when taken together with our lack of earthquake insurance, could have a material adverse effect on our business.

Failure to obtain hospital or group purchasing organization contracts could have a material adverse effect on our financial condition and operating results.

A portion of our net sales is derived from sales to hospitals. Many hospital customers, through the contracting process, limit the number of breast implant suppliers that may sell to their institution. Hospitals may choose to contract with our competitors who have a broader range of products that can be used in a wider variety of procedures or our competitors may actively position their broader product portfolios against us during the hospital

contracting process. Any limitations on the number of hospitals to which we can sell our products may significantly restrict our ability to grow.

In addition, contracts with hospitals and group purchasing organizations, or GPOs, often have complex insurance and indemnification requirements, which may not be beneficial to us, or we may not be able to successfully negotiate contracts with a substantial number of hospitals and GPOs at all, which could adversely affect our business, financial condition and results of operations.

Our business could suffer if we lose the services of key personnel or are unable to attract and retain additional qualified personnel.

We are dependent upon the continued services of key personnel, including members of our executive management team who have extensive experience in our industry. The loss of any one of these individuals could disrupt our operations or our strategic plans. Additionally, our future success will depend on, among other things, our ability to continue to hire and retain the necessary qualified sales, marketing and managerial personnel, for whom we compete with numerous other companies, academic institutions and organizations. If we lose key employees, if we are unable to attract or retain other qualified personnel, or if our management team is not able to effectively manage us through these events, our business, financial condition, and results of operations may be adversely affected.

We will need to increase the size of our organization, and we may experience difficulties in managing growth.*

As of March 31, 2017, we had approximately 93 full-time employees. Our management and personnel, and the systems and facilities we currently have in place, may not be adequate to support future growth. Effectively executing our growth strategy requires that we increase net sales through sales and marketing activities, recruit and retain additional employees and continue to improve our operational, financial and management controls, reporting systems and procedures. If we are not able to effectively expand our organization in these ways, we may not be able to successfully execute our growth strategy, and our business, financial condition and results of operations may suffer.

Risks Related to Our Financial Results

Our quarterly net sales and operating results are unpredictable and may fluctuate significantly from quarter to quarter due to factors outside our control, which could adversely affect our business, results of operations and the trading price of our common stock.*

Our net sales and operating results may vary significantly from quarter to quarter and year to year due to a number of factors, many of which are outside of our control and any of which may cause our stock price to fluctuate. Our net sales and results of operations will be affected by numerous factors, including:

- the timing to qualify Vesta with the FDA and the availability of any alternative manufacturing sources to supply our silicone gel breast implants and certain other products;
- our ability to integrate and achieve the anticipated benefits of our acquisitions of BIOCORNEUM® and the tissue expanders from SSP;
- the impact of the buying patterns of patients and seasonal cycles in consumer spending;
- our ability to drive increased sales of anatomically-shaped breast implants products;
- our ability to establish and maintain an effective and dedicated sales organization;
- pricing pressure applicable to our products, including adverse third-party coverage and reimbursement outcomes;
- results of clinical research and trials on our existing products;

- the impact of the recent regulatory inquiries of Silimed on our brand and reputation;
- timing of our research and development activities and initiatives;
- the mix of our products sold due to different profit margins among our products;
- timing of new product offerings, acquisitions, licenses or other significant events by us or our competitors;
- the ability of our suppliers to timely provide us with an adequate supply of products;
- the evolving product offerings of our competitors;
- regulatory approvals and legislative changes affecting the products we may offer or those of our competitors;
- increased labor and related costs;
- interruption in the manufacturing or distribution of our products;
- the effect of competing technological, industry and market developments;
- changes in our ability to obtain regulatory clearance or approval for our products;
- our ability to expand the geographic reach of our sales and marketing efforts; and
- our ability to successfully defend against the claims asserted in the Silimed Litigation.

Many of the products we may seek to develop and introduce in the future will require FDA approval or clearance before commercialization in the United States, and commercialization of such products outside of the United States would likely require additional regulatory approvals, CE Certificates of Conformity and export licenses. As a result, it will be difficult for us to forecast demand for these products with any degree of certainty. In addition, we will be increasing our operating expenses as we expand our commercial capabilities. Accordingly, we may experience significant, unanticipated quarterly losses. If our quarterly or annual operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly or annual fluctuations in our operating results may, in turn, cause the price of our common stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

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

As of March 31, 2017, we had $58.8 million in cash and cash equivalents. We believe that our available cash on hand will be sufficient to satisfy our liquidity requirements for at least the next 12 months. However, the planned growth of our business, including the expansion of our sales force and marketing programs, and research and development activities, and potential partnerships or strategic acquisitions could significantly increase our expenses. In addition, we expect expenses we may incur in connection with reestablishing our inventory supply , expenses we may incur defending against litigation claims, including the Silimed Litigation may have a material effect on our future cash outflows and our financial condition.

Our future capital requirements will de pend on many factors, including:

- the timing to qualify Vesta with the FDA and the availability of any alternative manufacturing sources and costs associated with procuring and qualifying such manufacturing capacity;
- net sales generated by our silicone gel breast implants and tissue expanders and any other future products that we may develop and commercialize;
- expenses we incur in connection with the Silimed Litigation, other potential litigation or governmental investigations;
- costs associated with expanding our sales force and marketing programs;
- cost associated with developing and commercializing our proposed products or technologies;
- cost of obtaining and maintaining regulatory clearance or approval for our current or future products;
- cost of ongoing compliance with regulatory requirements;
- anticipated or unanticipated capital expenditures; and
- unanticipated general and administrative expenses.

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

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

Our loan agreement contains restrictive covenants that may limit our operating flexibility .

We recently entered into a Loan and Security Agreement, or the Loan Agreement, with Silicon Valley Bank. The Loan Agreement contains certain restrictive covenants including covenants against the occurrence of a change in control, financial reporting obligations, and certain limitations on indebtedness, liens, investments, distributions (including dividends), collateral, mergers or acquisitions, taxes, corporate changes, and deposit accounts, among others. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate the Loan Agreement. There is no guarantee that we will be able to pay the principal and interest under the Loan Agreement or that future working capital, borrowings or equity financing will be available to repay or refinance any amounts outstanding under the Loan Agreement. In addition, we may enter into debt agreements in the future that may contain similar or more burdensome terms and covenants, including financial covenants.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.*

As of December 31, 2017, we had federal net operating loss carryforwards, or NOLs, of approximately $171.0 million, which begin expiring in 2027, if not utilized to offset taxable income. In general, under Section 382 of the

Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change N OLs to offset future taxable income. In general, an "ownership change" occurs if there is a cumulative change in our ownership by "5% shareholders" that exceeds 50 percentage points over a rolling three-year period. Our existing NOLs may be subject to li mitations arising from previous ownership changes, and if we undergo one or more ownership changes in connection with future transactions in our stock, our ability to utilize NOLs could be further limited by Section 382 of the Code. As a result of these l imitations, we may not be able to utilize a material portion of the NOLs reflected on our balance sheet and for this reason, we have fully reserved against the value of our NOLs on our balance sheet. We have not completed a Section 382 analysis to determin e if an ownership change has occurred. Until such analysis is completed, we cannot be sure that the full amount of the existing federal NOLs will be available to us, even if we do generate taxable income before their expiration.

Future changes in financial accounting standards may cause adverse unexpected net sales or expense fluctuations and affect our reported results of operations.

A change in accounting standards could have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New pronouncements and varying interpretations of existing pronouncements have occurred and may occur in the future. Changes to existing rules or current practices may adversely affect our reported financial results of our business.

Risks Related to Our Intellectual Property and Potential Litigation

If our intellectual property rights do not adequately protect our products or technologies, others could compete against us more directly, which would hurt our profitability.

Our success depends in part on our ability to protect our intellectual property rights. We rely on a combination of trademarks, trade secrets, confidential information, copyrights, patent rights and other intellectual property rights to protect our intellectual property. In addition, to protect our trade secrets, confidential information and other intellectual property rights, we have entered into confidentiality agreements with third parties, and confidential information and invention assignment agreements with employees, consultants and advisors. However, these agreements may not provide sufficient protection or adequate remedies for violation of our rights in the event of unauthorized use or disclosure of confidential and proprietary information. Without additional protection under the patent or other intellectual property laws, such unauthorized use or disclosure may enable competitors to duplicate or surpass our technological achievements. Moreover, the laws of certain foreign countries do not recognize intellectual property rights or protect them to the same extent as do the laws of the United States. Failure to protect our proprietary rights could seriously impair our competitive position.

The medical device industry is characterized by patent and other intellectual property litigation and we have and could become subject to litigation that could be costly, result in the diversion of management's time and efforts, require us to pay damages or prevent us from marketing our existing or future products.

Our commercial success will depend in part on not infringing the patents or violating the other proprietary rights of others. Significant litigation regarding patent rights occurs in our industry. Our competitors in both the United States and abroad, many of which have substantially greater resources and have made substantial investments in patent portfolios and competing technologies, may have applied for or obtained or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make, use and sell our products. Absent specific circumstances, we do not generally conduct independent reviews of patents issued to third parties. We may not be aware of whether our products do or will infringe existing or future patents. In addition, patent applications in the United States and elsewhere can be pending for many years, and may be confidential for 18 months or more after filing, and because pending patent claims can be revised before issuance, there may be applications of others now pending of which we are unaware that may later result in issued patents that will prevent, limit or otherwise interfere with our ability to make, use or sell our products. We may not be aware of patents that have already issued that a third party might assert are infringed by our products. It is also possible that patents of which we are aware, but which we do not believe are relevant to our product candidates, could nevertheless be found to be infringed by our products. The large number of patents, the rapid rate of new patent applications and issuances, the complexities of the technology involved and the uncertainty of litigation increase the risk of business

assets and management's attention being di verted to patent litigation. In the future, we may receive communications from various industry participants alleging our infringement of their patents, trade secrets or other intellectual property rights and/or offering licenses to such intellectual prop erty. Any lawsuits resulting from such allegations could subject us to significant liability for damages and invalidate our proprietary rights, even if they lack merit. Any existing or potential intellectual property litigation also could force us to do one or more of the following:

- stop making, selling or using products or technologies that allegedly infringe the asserted intellectual property;
- lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property rights against others;
- incur significant legal expenses;
- pay substantial damages or royalties to the party whose intellectual property rights we may be found to be infringing;
- pay the attorney fees and costs of litigation to the party whose intellectual property rights we may be found to be infringing;
- redesign those products that contain the allegedly infringing intellectual property, which could be costly, disruptive and/or infeasible; or
- attempt to obtain a license to the relevant intellectual property from third parties, which may not be available on reasonable terms or at all.

Any litigation or claim against us, even those without merit, may cause us to incur substantial costs, and could place a significant strain on our financial resources, divert the attention of management from our core business, negatively impact shareholder value and harm our reputation. If we are found to infringe the intellectual property rights of third parties, we could be required to pay substantial damages (which may be increased up to three times of awarded damages) and/or substantial royalties and could be prevented from selling our products unless we obtain a license or are able to redesign our products to avoid infringement. Any such license may not be available on reasonable terms, if at all, and there can be no assurance that we would be able to redesign our products in a way that would not infringe the intellectual property rights of others. If we fail to obtain any required licenses or make any necessary changes to our products or technologies, we may have to withdraw existing products from the market or may be unable to commercialize one or more of our products, all of which could have a material adverse effect on our business, results of operations and financial condition.

In addition, we generally indemnify our customers with respect to infringement by our products of the proprietary rights of third parties. Third parties may assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

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

Many of our employees were previously employed at other medical device companies, including our competitors or potential competitors, in some cases until recently. We have been the subject of and may, in the future, be subject to claims that we, our employees have inadvertently or otherwise used or disclosed alleged trade secrets or other proprietary information of these former employers or competitors. In addition, we have been and may in the future be subject to claims that we caused an employee to breach the terms of his or her non-competition or non-solicitation agreement. Litigation may be necessary to defend against these claims. Even if we are successful in

defending against these claims, litigation could result in substantial costs and could be a distraction to management. If our defense to those claims fails, in a ddition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Any litigation or the threat thereof may adversely affect our ability to hire employees. A loss of key personnel or their work product could hamper or pre vent our ability to commercialize product candidates, which could have an adverse effect on our business, results of operations and financial condition.

We are and may be subject to warranty or product liability claims or other litigation in the ordinary course of business that may adversely affect our business, financial condition and operating results.

As a supplier of medical devices, we are and may be subject to warranty or product liability claims alleging that the use of our products has resulted in adverse health effects or other litigation in the ordinary course of business that may require us to make significant expenditures to defend these claims or pay damage awards. The breast implant industry has a particularly significant history of product liability litigation. The risks of litigation exist even with respect to products that have received or in the future may receive regulatory approval for commercial sale, such as our Breast Products. In addition, our silicone gel breast implants are sold with a warranty providing for no-charge replacement implants in the event of certain ruptures that occur any time during the life of the patient and this warranty also includes cash payments to offset surgical fees if the rupture occurs within 10 years of implantation.

We maintain product liability insurance, but this insurance is limited in amount and subject to significant deductibles. There is no guarantee that insurance will be available or adequate to protect against all claims. Our insurance policies are subject to annual renewal and we may not be able to obtain liability insurance in the future on acceptable terms or at all. In addition, our insurance premiums could be subject to increases in the future, which may be material. If the coverage limits are inadequate to cover our liabilities or our insurance costs continue to increase as a result of warranty or product liability claims or other litigation, then our business, financial condition and operating results may be adversely affected.

Fluctuations in insurance cost and availability could adversely affect our profitability or our risk management profile.

We hold a number of insurance policies, including product liability insurance, directors' and officers' liability insurance, general liability insurance, property insurance, employment practices, and workers' compensation insurance. If the costs of maintaining adequate insurance coverage increase significantly in the future, our operating results could be materially adversely affected. Likewise, if any of our current insurance coverage should become unavailable to us or become economically impractical, we would be required to operate our business without indemnity from commercial insurance providers. If we operate our business without insurance, we could be responsible for paying claims or judgments against us that would have otherwise been covered by insurance, which could adversely affect our results of operations or financial condition.

Risks Related to Our Legal and Regulatory Environment

We are subject to extensive federal and state healthcare regulation, and if we fail to comply with applicable regulations, we could suffer severe criminal or civil sanctions or be required to restructure our operations, any of which could adversely affect our business, financial condition and operating results.

As a device manufacturer, even though we do not control referrals or bill directly to Medicare, Medicaid or other third-party payors, we are subject to healthcare fraud and abuse regulation and enforcement by the federal government and the states in which we conduct our business, as well as other healthcare laws and regulations. The healthcare laws and regulations that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which applies to our business activities, including our marketing practices, educational programs, pricing policies and relationships with healthcare providers, by prohibiting, among other things, knowingly and willfully soliciting, receiving, offering or providing any remuneration (including any bribe, kickback or rebate) directly or indirectly, overtly or covertly, in cash or in kind, intended to induce or in return for the purchase or recommendation of any good, facility, item or service reimbursable, in whole or in part, under a federal healthcare program, such as

the Medicare or Medicaid programs. A person or entity does not need to have actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it in order to commit a violation. Rathe r, if "one purpose" of the remuneration is to induce referrals, the federal Anti-Kickback Statute is violated. In addition, following passage of the PPACA violations of the federal Anti-Kickback Statute became per se violations of the False Claims Act;

- federal civil and criminal false claims laws and civil monetary penalty laws, including the FCA, that prohibit, among other things, knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other government payors that are false or fraudulent, or making a false statement to decrease or conceal an obligation to pay or transmit money or property to the federal government, and which may apply to entities that provide coding and billing advice to customers;

- HIPAA, and its implementing regulations, which created additional federal criminal laws that prohibit, among other things, knowingly and willfully executing, or attempting to execute a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;

- and, HIPAA, as amended by HITECH, also imposes certain regulatory and contractual requirements on certain types of people and entities subject to the law and their business associates regarding the privacy, security and transmission of individually identifiable health information;

- the federal Physician Payments Sunshine Act, enacted under the PPACA, which requires certain manufacturers of drugs, devices, biologics, and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to make annual reports to the Centers for Medicare & Medicaid Services, or CMS, regarding any "transfers of value" provided to physicians and teaching hospitals. Failure to submit required information may result in civil monetary penalties of up to an aggregate of $150,000 per year and up to an aggregate of $1 million per year for "knowing failures," for all payments, transfers of value or ownership or investment interests that are not timely, accurately, and completely reported in an annual submission. We are required to report detailed payment data and submit legal attestation to the accuracy of such data by March 31st of each calendar year; and

- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require device companies to comply with the industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be provided to healthcare providers and entities; state laws that require device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers and entities or marketing expenditures; and state laws governing the privacy and security of certain health information, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Because of the breadth of these laws, it is possible that some of our business activities, including our relationships with physicians and other health care providers and entities, some of whom recommend, purchase and/or prescribe our products, could be subject to challenge under one or more of such laws. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including, without limitation, administrative, civil and/or criminal penalties, damages, fines, disgorgement, contractual damages, reputational harm, exclusion from governmental health care programs, diminished profits and future earnings, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our financial results.

Our medical device products and operations are subject to extensive governmental regulation both in the United States and abroad, and our failure to comply with applicable requ irements could cause our business to suffer.

Our medical device products and operations are subject to extensive regulation by the FDA and various other federal, state and foreign governmental authorities, such as Health Canada. Government regulation of medical devices is meant to assure their safety and effectiveness, and includes regulation of, among other things:

- design, development and manufacturing;
- testing, labeling, content and language of instructions for use and storage;
- clinical trials;
- product safety;
- marketing, sales and distribution;
- regulatory clearances and approvals including pre-market clearance and approval;
- conformity assessment procedures;
- product traceability and record keeping procedures;
- advertising and promotion;
- product complaints, complaint reporting, recalls and field safety corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- post-market studies; and
- product import and export.

The regulations to which we are subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales.

Before we can market or sell a new regulated product or a significant modification to an existing product in the United States, we must obtain either clearance under Section 510(k) of the Federal Food, Drug and Cosmetic Act, or FDCA, or an approval of a PMA application unless the device is specifically exempt from pre-market review. In the 510(k) clearance process, the FDA must determine that a proposed device is "substantially equivalent" to a device legally on the market, known as a "predicate" device, with respect to intended use, technology and safety and effectiveness, in order to clear the proposed device for marketing. Clinical data is sometimes required to support substantial equivalence. In the PMA approval process, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on specific data, including, but not limited to, pre-clinical, clinical trial, and other product data. The PMA process is typically required for devices for which the 510(k) process cannot be used and that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices. Modifications to products that are approved through a PMA application generally need FDA approval. Similarly, some modifications made to products cleared through a 510(k) may require a new 510(k). The FDA's 510(k) clearance process usually takes from three to 12 months, but may last longer. The process of obtaining a PMA is much more costly and uncertain than the 510(k) clearance process and generally takes from one to three years, or even longer, from the time the application is submitted to the FDA until an approval is obtained.

In the United States, our silicone gel breast implants are marketed pursuant to a PMA order issued by the FDA in March 2012, and our tissue expanders are marketed pursuant to pre-market clearance under Section 510(k) of the FDCA. If the FDA requires us to go through a lengthier, more rigorous examination for fut ure products or modifications to existing products than we had expected, our product introductions or modifications could be delayed or canceled, which could cause our sales to decline. The FDA may demand that we obtain a PMA prior to marketing certain of our future products. In addition, if the FDA disagrees with our determination that a product we market is subject to an exemption from pre-market review, the FDA may require us to submit a 510(k) or PMA in order to continue marketing the product. Furthe r, even with respect to those future products where a PMA is not required, we cannot assure you that we will be able to obtain the 510(k) clearances with respect to those products.

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

- we may not be able to demonstrate to the FDA's satisfaction that our products are safe and effective for their intended uses;
- the data from our pre-clinical studies and clinical trials may be insufficient to support clearance or approval, where required; and
- the manufacturing process or facilities we use may not meet applicable requirements.

In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions that may prevent or delay approval or clearance of our products under development or impact our ability to modify our currently approved or cleared products on a timely basis. Any change in the laws or regulations that govern the clearance and approval processes relating to our current and future products could make it more difficult and costly to obtain clearance or approval for new products, or to produce, market and distribute existing products.

The FDA could also reclassify some or all of our products that are currently classified as Class II to Class III requiring additional controls, clinical studies and submission of a PMA for us to continue marketing and selling those products. We cannot guarantee that the FDA will not reclassify any of our Class II devices into Class III and require us to submit a PMA for FDA review and approval of the safety and effectiveness of our product. Any delay in, or failure to receive or maintain clearance or approval for our products under development could prevent us from generating sales from these products or achieving profitability. Additionally, the FDA and other regulatory authorities have broad enforcement powers. Regulatory enforcement or inquiries, or other increased scrutiny on us, could dissuade some surgeons from using our products and adversely affect our reputation and the perceived safety and efficacy of our products.

In addition, even after we have obtained the proper regulatory clearance or approval to market a product, the FDA has the power to require us to conduct post-marketing studies. For example, we are required to continue to study and report clinical results to the FDA on our silicone gel breast implants. Failure to conduct this or other required studies in a timely manner could result in the revocation of the PMA approval or 510(k) clearance for the product that is subject to such a requirement and could also result in the recall or withdrawal of the product, which would prevent us from generating sales from that product in the United States.

Failure to comply with applicable laws and regulations could jeopardize our ability to sell our products and result in enforcement actions such as:

- warning letters;
- fines;
- injunctions;
- civil penalties;

- termination of distribution;
- recalls or seizures of products;
- delays in the introduction of products into the market;
- total or partial suspension of production;
- refusal of the FDA or other regulator to grant future clearances or approvals;
- withdrawals or suspensions of current clearances or approvals, resulting in prohibitions on sales of our products; and/or
- in the most serious cases, criminal penalties.

Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and have a material adverse effect on our reputation, business, results of operations and financial condition.

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

We and our third-party manufacturers are required to comply with the FDA's QSR, which covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of our products. The FDA audits compliance with the QSR through periodic announced and unannounced inspections of manufacturing and other facilities. The FDA may conduct inspections or audits at any time. If we or our manufacturers fail to adhere to QSR requirements, have significant non-compliance issues or fail to timely and adequately respond to any adverse inspectional observations or product safety issues, or if any corrective action plan that we or our manufacturers propose in response to observed deficiencies is not sufficient, the FDA could take enforcement action against us, which could delay production of our products and may include:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- unanticipated expenditures to address or defend such actions;
- customer notifications or repair, replacement, refunds, recall, detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying our requests for 510(k) clearance or pre-market approval of new products or modified products;
- withdrawing 510(k) clearances or pre-market approvals that have already been granted;
- refusal to grant export approval for our products; or
- criminal prosecution.

Any of the foregoing actions could have a material adverse effect on our reputation, business, financial condition and operating results. Furthermore, our manufacturer may not currently be or may not continue to be in compliance with all applicable regulatory requirements, which could result in our failure to produce our products on a timely basis and in the required quantities, if at all.

There is no guarantee that the FDA will grant 510(k) clearance or PMA approval of our future products, and failure to obtain necessary clearances or approvals for our future products would adversely affect our ability to grow our business.

Some of our future products may require FDA clearance of a 510(k) or FDA approval of a PMA. The FDA may not approve or clear these products for the indications that are necessary or desirable for successful commercialization. Indeed, the FDA may refuse our requests for 510(k) clearance or pre-market approval of new products.

Significant delays in receiving clearance or approval, or the failure to receive clearance or approval for our new products would have an adverse effect on our ability to expand our business.

If we modify our FDA approved or cleared devices, we may need to seek additional clearances or approvals, which, if not granted, would prevent us from selling our modified products.*

In the United States, our silicone gel breast implants are marketed pursuant to a PMA order issued by the FDA in March 2012, and our tissue expanders are marketed pursuant to pre-market clearance under Section 510(k) of the FDCA. Any modifications to a PMA-approved or 510(k)-cleared device that could significantly affect its safety or effectiveness, including significant design and manufacturing changes, or that would constitute a major change in its intended use, manufacture, design, components, or technology requires a new 510(k) clearance or, possibly, approval of a new PMA application or PMA supplement. For example, on March 14, 2017, we announced that we had submitted a PMA supplement to the FDA for the manufacturing of our PMA-approved breast implants by Vesta. Certain changes to a PMA-approved device do not require submission and approval of a new PMA or PMA supplement and may only require notice to FDA in a PMA 30-Day Notice, Special PMA Supplement – Changes Being Effected or PMA Annual Report. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review any manufacturer's decision. The FDA may not agree with our decisions regarding whether new clearances or approvals are necessary. We have modified some of our 510(k) cleared products, and have determined based on our review of the applicable FDA guidance that in certain instances the changes did not require new 510(k) clearances or PMA approvals. If the FDA disagrees with our determination and requires us to seek new 510(k) clearances or PMA approvals for modifications to our previously cleared or approved products for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties. Furthermore, our products could be subject to recall if the FDA determines, for any reason, that our products are not safe or effective or that appropriate regulatory submissions were not made. Delays in receipt or failure to receive approvals, the loss of previously received approvals, or the failure to comply with any other existing or future regulatory requirements, could reduce our sales, profitability and future growth prospects.

A recall of our products, either voluntarily or at the direction of the FDA or another governmental authority, or the discovery of serious safety issues with our products that leads to corrective actions, could have a significant adverse impact on us.

The FDA and similar foreign governmental authorities have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture of a product or in the event that a product poses an unacceptable risk to health. The FDA's authority to require a recall must be based on an FDA finding that there is reasonable probability that the device would cause serious injury or death. Manufacturers may also, under their own initiative, recall a product if any material deficiency in a device is found or withdraw a product to improve device performance or for other reasons. The FDA requires that certain classifications of recalls be reported to the FDA within 10 working days after the recall is initiated. A government-mandated or voluntary recall by us or one of our distributors could occur as a result of an unacceptable risk to health, component failures, malfunctions, manufacturing errors, design or labeling defects or other deficiencies and issues. Similar regulatory agencies in other countries have similar authority to recall devices because of material deficiencies or defects in design or manufacture that could endanger health. Any recall would divert management attention and financial resources and could cause the price of our stock to decline, expose us to product liability or other claims and harm our reputation with customers. Such events could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. A recall involving our silicone gel breast implants could be particularly harmful to our business, financial and operating results. Companies are required to maintain certain

records of recalls, even if they are not reportable to the FDA or similar foreign governmental authorities. We may initiate voluntary recalls involving our products in the future that we determine do not require notification of th e FDA or foreign governmental authorities. If the FDA or foreign governmental authorities disagree with our determinations, they could require us to report those actions as recalls. A future recall announcement could harm our reputation with customers an d negatively affect our sales. In addition, the FDA or a foreign governmental authority could take enforcement action for failing to report the recalls when they were conducted.

In addition, under the FDA's medical device reporting regulations, we are required to report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. Repeated product malfunctions may result in a voluntary or involuntary product recall. We are also required to follow detailed record-keeping requirements for all firm-initiated medical device corrections and removals, and to report such corrective and removal actions to FDA if they are carried out in response to a risk to health and have not otherwise been reported under the medical device reporting regulations. Depending on the corrective action we take to redress a product's deficiencies or defects, the FDA may require, or we may decide, that we will need to obtain new approvals or clearances for the device before we may market or distribute the corrected device. Seeking such approvals or clearances may delay our ability to replace the recalled devices in a timely manner. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties, or civil or criminal fines. We may also be required to bear other costs or take other actions that may have a negative impact on our sales as well as face significant adverse publicity or regulatory consequences, which could harm our business, including our ability to market our products in the future.

Any adverse event involving our products, whether in the United States or abroad, could result in future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business and may harm our reputation and financial results.

If the third parties on which we rely to conduct our clinical trials and to assist us with pre-clinical development do not perform as contractually required or expected, we may not be able to obtain regulatory clearance or approval for or commercialize our products.

We often must rely on third parties, such as contract research organizations, medical institutions, clinical investigators and contract laboratories to conduct our clinical trials and preclinical development activities. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if these third parties need to be replaced, or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our pre-clinical development activities or clinical trials may be extended, delayed, suspended or terminated, and we may not be able to obtain regulatory clearance or approval for, or successfully commercialize, our products on a timely basis, if at all, and our business, operating results and prospects may be adversely affected. Furthermore, our third-party clinical trial investigators may be delayed in conducting our clinical trials for reasons outside of their control.

We may be subject to regulatory or enforcement actions if we engage in improper marketing or promotion of our products.

Our educational and promotional activities and training methods must comply with FDA and other applicable laws, including the prohibition of the promotion of a medical device for a use that has not been cleared or approved by the FDA. Use of a device outside of its cleared or approved indications is known as "off-label" use. Physicians may use our products off-label in their professional medical judgment, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. However, if the FDA determines that our educational and promotional activities or training constitutes promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of warning letters, untitled letters, fines, penalties, injunctions, or seizures, which could have an adverse impact on our reputation and financial results. It is also possible that other federal, state or foreign enforcement

authorities may take action if they consider our educ ational and promotional activities or training methods to constitute promotion of an off-label use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. In that ev ent, our reputation could be damaged and adoption of the products could be impaired. Although our policy is to refrain from statements that could be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and co nclude that we have engaged in off-label promotion. It is also possible that other federal, state or foreign enforcemen t authorities might take action , such as federal prosecution under the federal civil False Claims Act, if they consider our business act ivities constitute promotion of an off-label use, which could result in significant penalties, including, but not limited to, criminal, civil and/or administrative penalties, damages, fines, disgorgement, exclusion from participation in government healthca re programs, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations. In addition, the off-label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could divert our management's attention, result in substantial damage awards against us, and harm our reput ation.

Changes in existing third-party coverage and reimbursement may impact our ability to sell our products when used in breast reconstruction procedures.

Maintaining and growing sales of our products when used in breast reconstruction procedures depends, in part, on the availability of coverage and adequate reimbursement from third-party payors, including government programs such as Medicare and Medicaid, private insurance plans and managed care programs. Breast augmentation procedures are generally performed on a cash-pay basis and are not covered by third-party payors. In contrast, breast reconstruction procedures may be covered by third-party payors. Therefore, hospitals and other healthcare provider customers that purchase our products to use in breast reconstruction procedures typically bill various third-party payors to cover all or a portion of the costs and fees associated with the procedures in which our products are used, including the cost of the purchase of our products. Decreases in the amount third-party payors are willing to reimburse our customers for breast reconstruction procedures using our products could create pricing pressures for us. The process for determining whether a third-party payor will provide coverage for a product or procedure may be separate from the process for establishing the reimbursement rate that such a payor will pay for the product or procedure. A payor's decision to provide coverage for a product or procedure does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a product or procedure does not assure that other payors will also provide such coverage. Adequate third-party reimbursement may not be available to enable us to maintain our business in a profitable way. We may be unable to sell our products on a profitable basis if third-party payors deny coverage or reduce their current levels of payment, or if our costs of production increase faster than increases in reimbursement levels.

Furthermore, the healthcare industry in the United States has experienced a trend toward cost containment as government and private insurers seek to control healthcare costs by imposing lower payment rates and negotiating reduced contract rates with service providers. Therefore, we cannot be certain that the breast reconstruction procedures using our products will be reimbursed at a cost-effective level. Nor can we be certain that third-party payors using a methodology that sets amounts based on the type of procedure performed, such as those utilized by government programs and in many privately managed care systems, will view the cost of our products to be justified so as to incorporate such costs into the overall cost of the procedure. Moreover, we are unable to predict what changes will be made to the reimbursement methodologies used by third-party payors in the future.

To the extent we sell our products internationally, market acceptance may depend, in part, upon the availability of coverage and reimbursement within prevailing healthcare payment systems. Reimbursement and healthcare payment systems in international markets vary significantly by country, and include both government-sponsored healthcare and private insurance. We may not obtain international coverage and reimbursement approvals in a timely manner, if at all. Our failure to receive such approvals would negatively impact market acceptance of our products in the international markets in which those approvals are sought.

Legislative or regulatory health care reforms may make it more difficult and costly to produce, market and distribute our products after clearance or approval is obtained, or to do so profitably.

Recent political, economic and regulatory influences are subjecting the health care industry to fundamental changes. Both the federal and state governments in the United States and foreign governments continue to propose and pass new legislation and regulations designed to contain or reduce the cost of health care, improve quality of care, and expand access to healthcare, among other purposes. Such legislation and regulations may result in decreased reimbursement for medical devices and/or the procedures in which they are used, which may further exacerbate industry-wide pressure to reduce the prices charged for medical devices. This could harm our ability to market and generate sales from our products.

In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new regulations, revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of our products.

Federal and state governments in the United States have recently enacted legislation to overhaul the nation's health care system. For example, in March 2010, the PPACA was signed into law. While one goal of health care reform is to expand coverage to more individuals, it also involves increased government price controls, additional regulatory mandates and other measures designed to constrain medical costs. The PPACA substantially changes the way healthcare is financed by both governmental and private insurers, encourages improvements in the quality of healthcare items and services and significantly impacts the medical device industry. Among other ways in which the PPACA significantly impacts our industry, the PPACA:

- imposes an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions;
- expands eligibility criteria for Medicaid programs;
- establishes a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical effectiveness research in an effort to coordinate and develop such research;
- implements payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain health care services through bundled payment models; and
- creates an independent payment advisory board that, if impaneled, will submit recommendations to Congress to reduce Medicare spending if projected Medicare spending exceeds a specified growth rate.

The medical device excise tax has been suspended by the CAA, with respect to medical device sales during calendar years 2016 and 2017. Absent further Congressional action, this excise tax will be reinstated for medical device sales beginning January 1, 2018. The CAA also temporarily delays implementation of other taxes intended to help fund PPACA programs.

There have been judicial and Congressional challenges to certain aspects of the PPACA, and we expect there will be additional challenges and amendments in the future. In January, Congress voted to adopt a budget resolution for fiscal year 2017, or the Budget Resolution, that authorizes the implementation of legislation that would repeal portions of the PPACA. The Budget Resolution is not a law; however, it is widely viewed as the first step toward the passage of repeal legislation. Further, on January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the PPACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the PPACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. Congress also could consider subsequent legislation to replace elements of the PPACA that are repealed. We cannot predict how the PPACA, its possible repeal, or any legislation that may be proposed to replace the PPACA will impact our business.

In addition, other legis lative changes have been proposed and adopted since the PPACA was enacted. For example, on August 2, 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several governme nt programs. This includes reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013, following passage of the Bipartisan Budget Act of 2015, and will stay in effect through 2025 unless additional Congress ional action is taken. Additionally, on January 2, 2013, President Obama signed into law the ATRA, which, among other things, reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers and increased t he statute of limitations period for the government to recover overpayments to providers from three to five years.

In the future there may continue to be additional proposals relating to the reform of the U.S. healthcare system. Certain of these proposals could limit the prices we are able to charge for our products or the amount of reimbursement available for our products, and could limit the acceptance and availability of our products, any of which could have a material adverse effect on our business, results of operations and financial condition.

If we fail to obtain and maintain regulatory approval in Canada, our market opportunities will be reduced.

In order to market our products in Canada, we must obtain and maintain separate regulatory approvals and comply with numerous and varying regulatory requirements. We are currently not able to obtain Health Canada's approval to market our breast implant products in Canada due to the suspension of Silimed's ISO 13485 certificate. Regardless of Silimed's ISO certification status, the time required to obtain regulatory approval in Canada may be longer than the time required to obtain FDA pre-market approval and Health Canada may want additional information prior to approval as well. The Canadian regulatory approval process includes many of the risks associated with obtaining FDA approval and we may not obtain Canadian regulatory approval on a timely basis, if at all. FDA approval does not ensure approval by regulatory authorities in other countries, including Canada, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries. However, the failure to obtain clearance or approval in one jurisdiction may have a negative impact on our ability to obtain clearance or approval elsewhere. If we do not obtain or maintain necessary approvals to commercialize our products in Canada, it would negatively affect our overall market penetration.

Our customers and much of our industry are required to be compliant under the federal Health Insurance Portability and Accountability Act of 1996, the Health Information Technology for Economic and Clinical Health Act and implementing regulations (including the final Omnibus Rule published on January 25, 2013) affecting the transmission, security and privacy of health information, and failure to comply could result in significant penalties.

Numerous federal and state laws and regulations, including HIPAA, and HITECH, govern the collection, dissemination, security, use and confidentiality of health information that identifies specific patients. HIPAA and HITECH require our surgeon and hospital customers to comply with certain standards for the use and disclosure of health information within their companies and with third parties. The Privacy Standards and Security Standards under HIPAA establish a set of standards for the protection of individually identifiable health information by health plans, health care clearinghouses and certain health care providers, referred to as Covered Entities, and the Business Associates with whom Covered Entities enter into service relationships pursuant to which individually identifiable health information may be exchanged. Notably, whereas HIPAA previously directly regulated only these Covered Entities, HITECH, which was signed into law as part of the stimulus package in February 2009, makes certain of HIPAA's privacy and security standards also directly applicable to Covered Entities' Business Associates. As a result, both Covered Entities and Business Associates are now subject to significant civil and criminal penalties for failure to comply with Privacy Standards and Security Standards.

HIPAA requires Covered Entities (like our customers) and Business Associates to develop and maintain policies and procedures with respect to protected health information that is used or disclosed, including the adoption of administrative, physical and technical safeguards to protect such information. HITECH expands the notification requirement for breaches of patient-identifiable health information, restricts certain disclosures and sales of patient-identifiable health information and provides for civil monetary penalties for HIPAA violations. HITECH also

increased the civil and criminal penalties that may be imposed against Covered Entities and Business Associates and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney fees and costs associated with pursuing federal civil actions. Additionally, certain states have adopted comparable privacy and security laws and regulations, some of which may be more stringent than HIPAA.

We are not currently required to comply with HIPAA or HITECH because we are neither a Covered Entity nor a Business Associate (as that term is defined by HIPAA). However, in administering our warranties and complying with FDA-required device tracking, we do regularly handle confidential and personal information similar to that which these laws seek to protect. We also occasionally encounter hospital customers who pressure us to sign Business Associate Agreements, or BAAs, although, to date, we have refused, given that we do not believe we are business associates to such Covered Entities under HIPAA or HITECH. If the law or regulations were to change or if we were to agree to sign a BAA, the costs of complying with the HIPAA standards are burdensome and could have a material adverse effect on our business. In addition, under such situations there would be significant risks and financial penalties for us if we were then found to have violated the laws and regulations that pertain to Covered Entities and Business Associates.

We are unable to predict what changes to the HIPAA Privacy Standards and Security Standards might be made in the future or how those changes could affect our business. Any new legislation or regulation in the area of privacy and security of personal information, including personal health information, could also adversely affect our business operations. If we do not comply with existing or new applicable federal or state laws and regulations related to patient health information, we could be subject to criminal or civil sanctions and any resulting liability could adversely affect our financial condition.

An adverse outcome of a sales and use tax audit could have a material adverse effect on our results of operations and financial condition.

We sell our products in all 50 states and each state (and some local governments) has its own sales tax laws and regulations. We charge each of our customers sales tax on each order and report and pay that tax to the appropriate state authority, unless we believe there is an applicable exception. In some states, there are no available exceptions; in some states, we believe our products can be sold tax-free. In other states, we believe we can sell our products tax-free only for customers who request tax-exempt treatment due to the nature of the devices we sell or due to the nature of the customer's use of our device. We may be audited by the taxing authorities of one or more states and there can be no assurance, however, that an audit will be resolved in our favor. Such an audit could be expensive and time-consuming and result in substantial management distraction. If the matter were to be resolved in a manner adverse to us, it could have a material adverse effect on our results of operations and financial condition.

Risks Related to Our Common Stock

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

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. For example, our common stock price declined from $20.58 to $2.78 from September 23, 2015 to November 17, 2015 primarily as a result of the then-current events concerning Silimed. These factors include those discussed in this "Risk Factors" section of this Form 10-Q and others such as:

- a determination that our products are not in compliance with regulatory requirements, or our facilities, or those of our third-party manufacturers are not maintained in compliance with regulatory requirements;
- the timing and availability of alternative manufacturing sources to supply our silicone gel breast implants, tissue expanders and certain other products;

- a slowdown in the medical device industry, the aesthetics industry or the general economy ;
- actual or anticipated quarterly or annual variations in our results of operations or those of our competitors;
- changes in accounting principles or changes in interpretations of existing principles, which could affect our financial results;
- actual or anticipated changes in our growth rate relative to our competitors;
- changes in earnings estimates or recommendations by securities analysts;
- fluctuations in the values of companies perceived by investors to be comparable to us;
- announcements by us or our competitors of new products or services, significant contracts, commercial relationships, capital commitments or acquisitions;
- competition from existing technologies and products or new technologies and products that may emerge;
- the entry into, modification or termination of agreements with our sales representatives or distributors;
- developments with respect to intellectual property rights;
- sales, or the anticipation of sales, of our common stock by us, our insiders or our other stockholders, including upon the expiration of contractual lock-up agreements;
- our ability to develop and market new and enhanced products on a timely basis;
- our ability to integrate and achieve the anticipated benefits of our acquisitions of BIOCORNEUM® and the tissue expanders from SSP;
- our commencement of, or involvement in, litigation;
- additions or departures of key management or technical personnel; and
- changes in laws or governmental regulations applicable to us.

In recent years, the stock markets generally have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may significantly affect the market price of our common stock, regardless of our actual operating performance.

We do not anticipate paying any cash dividends in the foreseeable future, and accordingly, stockholders must rely on stock appreciation for any return on their investment.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. In addition, our ability to pay cash dividends is currently prohibited by our Loan Agreement. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future. Any future determination to pay dividends will be made at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Our executive officers, directors and principal stockholders own a significant percentage of our stock and will be able to exert significant control over matters subject to sto ckholder approval.*

As of May 5, 2017, our executive officers, directors and principal stockholders beneficially owned approximately 43.65% of our outstanding voting stock. As a result, these stockholders have the ability to influence us through their ownership position and may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders.

We are an "emerging growth company" and intend to take advantage of reduced disclosure requirements applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that apply to other public companies that are not "emerging growth companies." As an emerging growth company:

- we are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements in our periodic reports, proxy statements and registration statements; and
- we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements.

In addition, the JOBS Act provides that an emerging growth company may take advantage of an extended transition period for complying with new or revised accounting standards. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We may remain an emerging growth company until December 31, 2019 (the last day of the fiscal year following the fifth anniversary of our initial public offering). However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenue equals or exceeds $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

As a public company, we are required to assess our internal control over financial reporting on an annual basis, and any future adverse results from such assessment could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

As a public company, we are required to comply with certain of the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, regarding internal control over financial reporting, including a report of management on the company's internal controls over financial reporting in their annual reports on Form 10-K.

In connection with the preparation and audit of our 2016 financial statements, we identified certain deficiencies in our internal controls over financial reporting that we concluded to be a material weakness and that our internal control over financial reporting was not effective as of December 31, 2016. The material weakness resulted from the inadequate design and operation of internal controls related to the accounting for significant unusual transactions.

We are in the process of improving policies and procedures and design more effective controls to remediate this material we akness, but our remediation efforts are not complete and are ongoing. If our remedial measures are

insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occ ur in the future, it may materially adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner and impact investor confidence in our Company.

Due to the above referenced material weakness in our internal control over financial reporting, we may be unable to comply with the SOX 404 internal controls requirements. Additionally, for as long as we remain an "emerging growth company" as defined in the JOBS Act, we intend to utilize the provision exempting us from the requirement that our independent registered public accounting firm provide an attestation on the effectiveness of our internal control over financial reporting. The process of becoming fully compliant with Section 404 may divert internal resources and will take a significant amount of time and effort to complete, and may result in additional deficiencies and material weaknesses being identified by us or our independent registered public accounting firm. We may experience higher than anticipated operating expenses, as well as increased independent registered public accounting firm fees during the implementation of any required changes and thereafter. Completing documentation of our internal control system and financial processes, remediation of control deficiencies and management testing of internal controls will require substantial effort by us. If our internal control over financial reporting or our related disclosure controls and procedures are not effective, we may not be able to accurately report our financial results or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.

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

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that our officers, directors or the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. As of May 5, 2017, we had approximately 19,114,862 shares of common stock outstanding. Of these shares, all of the shares of our common stock sold in our initial public offering, which was completed on November 3, 2014, and all of the shares sold in our follow-on public offering, which was completed on September 23, 2015 are freely tradable, without restriction, in the public market.

Based on shares outstanding as of May 5, 2017, and information contained in Form 4s and Schedule 13Gs filed with the SEC, up to an additional 5,011,455 shares of common stock became eligible for sale in the public market, approximately 81,678 of which are held by our executive officers and directors and approximately 4,929,777 of which are held by our affiliates (including stockholders affiliated with our directors) and subject to volume limitations under Rule 144 under the Securities Act.

Holders of an aggregate of approximately 5,672,351 shares of our common stock have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

As of May 5, 2017, options to purchase an aggregate of 3,260,705 shares of our common stock were outstanding under our 2007 Plan, our 2014 Plan and our Inducement Plan and an additional 583,618 shares of common stock are reserved for issuance under our 2014 Plan and our Inducement Plan. These shares can be freely sold in the public market upon issuance and once vested in accordance with Rule 144, including volume restrictions applicable to "control securities" held by our officers and directors.

We cannot predict what effect, if any, sales of our shares in the public market or the availability of shares for sale will have on the market price of our common stock. Future sales of substantial amounts of our common stock in the public market, including shares issued upon exercise of outstanding options or warrants, or the perception that such sales may occur, however, could adversely affect the market price of our common stock and also could adversely affect our future ability to raise capital through the sale of our common stock or other equity-related securities of ours at times and prices we believe appropriate.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity in centive plans, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.*

We expect that significant additional capital may be needed in the future to continue our planned operations, including conducting clinical trials, commercialization efforts, expanded research and development activities and costs associated with operating a public company. To raise capital, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities, investors may be materially diluted by subsequent sales. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to the holders of our common stock.

As of March 31, 2017, the number of shares of common stock reserved for issuance under our 2014 plan was 2,789,442. The number of shares of our common stock reserved for issuance under the 2014 Plan automatically increases on January 1 of each year, continuing through and including January 1, 2024, by 4% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. Unless our board of directors elects not to increase the number of shares available for future grant each year, our stockholders may experience additional dilution, which could cause our stock price to fall. Pursuant to the foregoing provision, effective January 1, 2017, our board of directors increased the number of shares of common stock reserved for issuance under the 2014 Plan by 4% of the number of shares of our capital stock outstanding on December 31, 2016, or 743,947 shares.

As of March 31, 2017, the number of shares of common stock reserved for issuance under our ESPP was 770,549. The number of shares of our common stock reserved for issuance under the ESPP automatically increases on January 1 of each year, beginning on January 1, 2015 and continuing through and including January 1, 2024, by 1% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. Unless our board of directors elects not to increase the number of shares available for future grant each year, our stockholders may experience additional dilution, which could cause our stock price to fall. Pursuant to the foregoing provision, effective January 1, 2017, our board of directors increased the number of shares of common stock reserved for issuance under the ESPP by 1% of the number of shares of our capital stock outstanding on December 31, 2016, or 185,986 shares.

Pursuant to the Inducement Plan that our board of directors approved in March 2016, our compensation committee of the board of directors is authorized to grant stock options or restricted stock units which may be exercised or settled, as applicable, to new employees as inducements material to such new employees entering into employment with us in accordance with NASDAQ Marketplace Rule 5635(c)(4). Since the inception of the Inducement Plan, options to purchase 330,000 shares had been awarded by the compensation committee and the number of shares available for future grant was 34,000 shares. The number of shares that may be granted under the Inducement Plan may be increased in the future by our board of directors.

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

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

- a board of directors divided into three classes serving staggered three-year terms, such that not all members of the board will be elected at one time;
- a prohibition on stockholder action through written consent, which requires that all stockholder actions be taken at a meeting of our stockholders;

- a requirement that special meetings of stockholders be called only by the chairman of the board of directors, the chief executive officer, or by a majority of the total number of authorized directors;

- advance notice requirements for stockholder proposals and nominations for election to our board of directors;

- a requirement that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of not less than two-thirds of all outstanding shares of our voting stock then entitled to vote in the election of directors;

- a requirement of approval of not less than two-thirds of all outstanding shares of our voting stock to amend any bylaws by stockholder action or to amend specific provisions of our certificate of incorporation; and

- the authority of the board of directors to issue preferred stock on terms determined by the board of directors without stockholder approval and which preferred stock may include rights superior to the rights of the holders of common stock.

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

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

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

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Purchase of Equity Securities

We did not purchase any of our equity securities during the period covered by this Quarterly Report on Form 10-Q.

Use of Proceeds from Registered Securities

On November 3, 2014, we closed the sale of 5,750,000 shares of common stock to the public (inclusive of 750,000 shares of common stock sold by us pursuant to the full exercise of an overallotment option granted to the underwriters) at a price of $15.00 per share. The offer and sale of the shares in the IPO was registered under the Securities Act pursuant to registration statements on Form S-1 (File No. 333-198837), which was filed with the SEC, on September 19, 2014 and amended subsequently and declared effective on October 28, 2014. Piper Jaffray & Co. and Stifel, Nicolaus & Company, Incorporated acted as managing underwriters of the offering. We

raised approximately $77.0 million in net proceeds after deduct ing underwriting discounts and commissions of approximately $6.0 million and other offering expenses of approximately $3.2 million. None of these expenses consisted of payments made by us to directors, officers or persons owning 10% or more of our common s tock or to their associates, or to our affiliates.

On September 23, 2015, we closed the sale of 3,000,000 shares of common stock in a follow-on public offering at a price of $22.00 per share. The offer and sale of the shares in the follow-on offering were registered under the Securities Act pursuant to registration statements on Form S-1 (File No. 333-206755), which was filed with the SEC and declared effective on September 17, 2015. Piper Jaffray & Co. and Stifel, Nicolaus & Company, Incorporated acted as joint book-running managers and Leerink Partners, LLC and William Blair & Company, LLC acted as co-managers. We raised approximately $61.4 million in net proceeds after deducting underwriting discounts and commissions of approximately $4.0 million and other offering expenses of approximately $0.6 million. None of these expenses consisted of payments made by us to directors, officers or persons owning 10% or more of our common stock or to their associates, or to our affiliates.

Upon receipt, the net proceeds from our IPO and our follow-on public offering were held in cash and cash equivalents, primarily bank money market accounts. There has been no material change in our planned use of the net proceeds from the offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on October 29, 2014, or from our follow-on public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on September 23, 2015. The amount and timing of our actual expenditures depend on numerous factors, including the ongoing status of and results from clinical trials, as well as any unforeseen cash needs. Accordingly, our management has broad discretion in the application of the net proceeds. As of March 31, 2017, we have used approximately $24.5 million of the proceeds to repay outstanding debt, $6.9 million for the acquisition of BIOCORNEUM® and related transaction costs, $5.0 million for the acquisition of Dermaspan™, Softspan™, and AlloX2® tissue expanders from SSP, and $42.6 million in working capital and other general corporate purposes .

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Amended Executive Employment Agreement

On May 8, 2017, we amended our employment agreement with Jeffrey M. Nugent, our Chief Executive Officer, to increase his base salary from $600,000 to $636,000 per annum to be effective as of January 1, 2017 and to extend the date that the Company shall continue to pay for Mr. Nugent’s relocation expenses from December 31, 2016 to December 31, 2017.

The foregoing description of the amendment to Mr. Nugent’s employment agreement is not complete and is qualified entirely by reference to the full text of the amendment, a copy of which is filed herewith as Exhibit 10.3 and incorporated herein by reference.

ITEM 6. EXHI BITS

The following exhibits are filed or furnished as part of this report:

Number	Description
3.1(1)	Amended and Restated Certificate of Incorporation of the Registrant.
3.2(1)	Amended and Restated Bylaws of the Registrant.
4.1(1)	Form of Common Stock Certificate of the Registrant.
4.2(1)	Conversion and Amendment Agreement by and among the Registrant and certain of its stockholders, dated October 10, 2014.
4.3(1)	Amended and Restated Investor Rights Agreement, dated March 28, 2012, by and among Sientra, Inc., and the investors and stockholders party thereto.
4.4(1)	Warrant to Purchase Stock issued to Oxford Finance LLC, dated January 17, 2013.
4.5(1)	Warrant to Purchase Stock issued to Oxford Finance LLC, dated January 17, 2013
4.6(1)	Warrant to Purchase Stock issued to Oxford Finance LLC, dated August 1, 2013.
4.7(1)	Warrant to Purchase Stock issued to Oxford Finance LLC, dated August 1, 2013.
4.8(1)	Warrant to Purchase Stock issued to Oxford Finance LLC, dated December 13, 2013.
4.9(1)	Warrant to Purchase Stock issued to Oxford Finance LLC, dated December 13, 2013.
10.1 †	Manufacturing Agreement by and between the Registrant and Vesta Intermediate Funding, Inc., a Lubrizol LifeSciences Company, dated March 10, 2017.
10.2	Loan and Security Agreement by and between the Registrant and Silicon Valley Bank, dated March 13, 2017.
10.3#	Amendment to Employment Agreement by and between the Registrant and Jeffrey M. Nugent, dated May 8, 2017.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant Section 906 of the Sarbanes-Oxley Act of 2002.

Number	Description
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference to Sientra, Inc.'s Registration Statement on Form S-1 (No. 333-198837), as amended.

# Indicates management contract or compensatory plan, contract, or agreement.

† Confidential treatment has been requested for certain portions of this exhibit. These portions have been omitted and filed separately with the SEC.

SIGNATURES

Pursuant to the requirements 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.

SIENTRA, INC.

May 9, 2017

By: /s/ Jeffrey Nugent
Jeffrey Nugent
Chief Executive Officer

May 9, 2017

By: /s/ Patrick F. Williams
Patrick F. Williams
Chief Financial Officer and Treasurer

CONFIDENTIAL

***INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

MANUFACTURING AGREEMENT

THIS **MANUFACTURING AGREEMENT** (" **Agreement** ") is effective as of March 10, 2017 (" **Effective Date** "), by and between **SIENTRA, INC.** a Delaware corporation, having a principal place of business at 420 S. Fairview, Suite 200, Goleta, CA 93117 (" **Sientra** "), and **VESTA INTERMEDIATE FUNDING, INC .** , having a principal place of business or address at 9900 S. 57 th Street, Franklin, WI 53132 (" **Supplier** "). Sientra and Supplier may be referred to herein individually as a " **Party** " or, collectively, as the " **Parties** ".

RECITALS:

A. Sientra designs, develops, manufactures, markets and sells medical devices and wishes to purchase certain product from the Supplier on a contract-manufacturing basis;

B. The Parties desire to enter into this Agreement which sets forth terms and conditions for the sale and purchase of products manufactured by Supplier on a contract-manufacturing basis; and

C. This Agreement is entered into pursuant to Sientra's election to initiate Phase 4 pursuant to and as contemplated by the Services Agreement (as defined below).

AGREEMENT:

In consideration of the mutual covenants contained in the Agreement, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Sientra and Supplier hereby agree that the above Recitals are incorporated as material provisions of this Agreement and further agree to the following terms and conditions:

1. DEFINITIONS

1.1. As used in this Agreement, the following terms shall have the meaning set forth or as referenced below.

" Affiliate " means, with respect to any person or entity, any other person or entity which (whether de jure or de facto) directly or indirectly controls, is controlled by or is under common control with such first person or entity, during and for such time as such control exists. For these purposes, "control" shall refer to the ownership, directly or indirectly, of at least fifty percent (50%) of the voting securities or other ownership interest of the relevant entity or having the actual power, either directly or indirectly through one or more intermediaries, to direct the management and policies of the relevant entity (e.g., by contract or otherwise).

" Agreement " means this Manufacturing Agreement and all Exhibits hereto, and all extensions, renewals and amendments hereto that are agreed upon in writing by Supplier and Sientra.

" Applicable Laws " means all laws, rules and regulations now or hereafter in effect promulgated by any Governmental Regulatory Authorities applicable to a Party's performance under this Agreement.

" Breast Implant Manufacturing Specifications " means those detailed manufacturing process specifications for the Breast Implant Products (including, without limitation, the standard

operating procedures and the raw materials used and incorporated into the Breast Implant Products) which are: (a) set forth on **Exhibit C-1** hereto, or (b) added to **Exhibit C-1** from time to time by mutual written agreement of the Parties as specified in this Agreement.

" Breast Implant Products " mean the silicone gel-filled breast implant products identified on **Exhibit A-1** hereto (including any and all modifications, improvements or enhancements thereof), and such additional silicone gel-filled breast implant products that are added to **Exhibit A-1** as Breast Implant Products from time to time by mutual written agreement of the Parties as specified in this Agreement (including any and all modifications, improvements or enhancements thereof).

" Breast Implant Product Specifications " means those detailed Breast Implant Product specifications for each Breast Implant Product which are: (a) set forth on **Exhibit B-1** hereto, or (b) added to **Exhibit B-1** from time to time by mutual written agreement of the Parties as specified in this Agreement.

" Business Day " means any day other than a Saturday, Sunday or U.S. federal holiday.

" Contract Year " means: (a) the twelve (12) month period beginning on the first of the month following the month *** or (ii) Sientra elects in writing (in its sole discretion) to commence Contract Year 1, and ending on the calendar day immediately prior to the twelve (12) month anniversary thereof; and (b) each such twelve (12) month period thereafter during the Term of the Agreement.

" Discloser " has the meaning set forth in Section 8.1 below.

" Effective Date " has the meaning set forth in the Preamble.

" FDA " means the United States Food and Drug Administration.

" Field Action " means activities outlining the steps for management of and/or communication regarding the performance of distributed Product currently in use by Sientra's customers. These activities may include recall or retrieval of Product(s) and consumer or trade notifications.

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" Forecast " has the meaning set forth in Section 3.1 below.

" Force Majeure " has the meaning set forth in Section 14 below.

" GAAP " has the meaning set forth on Section 4.2(b) below.

" Governmental Regulatory Authorities " means the FDA and Health Canada and any other state or provincial authorities in the U.S. or Canada.

" Indemnified Party " has the meaning set forth in Section 12.3 below.

" Indemnifying Party " has the meaning set forth in Section 12.3 below.

" Indemnity Claim " has the meaning set forth in Section 12.3 below.

" Indemnity Security " has the meaning set forth in Section 11.7 below.

" Information " has the meaning set forth in Section 8.1 below.

" Intellectual Property " means all the proprietary or intellectual property rights of a person or entity in, to, arising out of or associated with:

(a) patents, utility models, design patents, invention registrations and applications therefor and any and all re-issues, substitutions, continuations, continuations in part, divisions, renewals, reexaminations, provisionals and extensions thereof;

(b) inventions (whether patentable or not) and any and all improvements, enhancements, modifications and derivations thereof, certificates of inventions and invention disclosures;

(c) trade secrets and know how;

(d) data and documentation, technical data and information and business data and information;

(e) technology, concepts, ideas, models, diagrams, specifications, designs (including optical designs and mold designs), production files, drawings, sketches, schemes, plans, formulae, research and development information, research results, analyses, methods, processes (including manufacturing and production processes), protocols, procedures (and as to Supplier, the Manufacturing Specifications defined below), techniques, components, compounds, chemicals, materials, formulations, compositions, algorithms, prototypes and any and all enhancements and improvements thereof;

(f) works of authorship, copyrights, copyrightable materials, software, computer programs, algorithms, computer files, source code and object code;

(g) mask works and applications therefor;

(h) trademarks, trade dress, logos, slogans, trade names and corporate names, including all variations and derivations thereof and applications therefor and all goodwill associated therewith;

(i) all licenses, permits, authorizations and approvals;

(j) all rights to sue or recover and retain damages and costs and attorneys' fees for past, present and future infringement or misappropriation of any of the foregoing; and

(k) all rights corresponding to the foregoing throughout the world.

" Limited Warranty " has the meaning set forth in Section 11.1(a) below.

" Manufacture " or " Manufactured " or " Manufacturing " means Supplier's engineering, manufacturing, quality control testing and storage of Product in accordance with the terms and conditions of this Agreement and all applicable Quality Obligations (defined below).

***

" Manufacturing Specifications " means the Breast Implant Manufacturing Specifications and the Tissue Expander Manufacturing Specifications.

***

" New Style " has the meaning set forth in Section 9.1 below.

" Nonconforming " or " Nonconformity " means that the components, materials or Products fail to conform in all material respects with the applicable Specifications.

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" Product " or " Products " mean Breast Implant Products and Tissue Expander Products.

" Product Change " has the meaning set forth in Section 4.5 below.

" Product Specifications " means the Breast Implant Product Specifications and the Tissue Expander Product Specifications.

" Project License " has the meaning set forth in Section 7.3(a) below.

" Purchase " or " Purchased " has the meaning set forth in Section 3.3 below.

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" Recipient " has the meaning set forth in Section 8.1 below.

" Regulatory Clearance " means, with respect to a particular Breast Implant Product listed on **Exhibit A-1** (*i.e.* , for all shapes, sizes and SKUs on such **Exhibit A-1**), that such Product has been determined to be a Class III medical device and has received pre-market approval from the FDA and all other applicable Government Regulatory Authorities in the United States, where such approvals are necessary to market such Product in the United States.

" Root Cause Analysis " has the meaning set forth in Section 4.8 below.

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" Services Agreement " means that certain Services Agreement entered into by and between the Parties as of June 5, 2015.

" Sientra Indemnified Parties " has the meaning set forth in Section 12.2 below.

" Sientra IP " has the meaning set forth in Section 7.2 below.

" Specifications " means the Product Specifications and Manufacturing Specifications.

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" Supplier Indemnified Parties " has the meaning set forth in Section 12.1 below.

" Supplier IP " has the meaning set forth in Section 7.1 below.

" Term " has the meaning set forth in Section 13.1 below.

" Third Party " means any person or entity or authority other than Sientra or Supplier or an Affiliate of either of them.

***

" Tissue Expander Manufacturing Specifications " means those detailed manufacturing process specifications for the Tissue Expander Products (including, without limitation, the standard operating procedures and the raw materials used and incorporated into the Tissue Expander Products) which are: (a) set forth on **Exhibit C-2** hereto, or (b) added to **Exhibit C-2** from time to time by mutual written agreement of the Parties as specified in this Agreement.

" Tissue Expander Products " means the tissue expander products identified on **Exhibit A-2** hereto (including any and all modifications, improvements or enhancements thereof), and such additional tissue expander products that are added to **Exhibit A-2** from time to time as "Tissue Expander Products" by mutual written agreement of the Parties as specified in this Agreement (including any and all modifications, improvements or enhancements thereof).

"Tissue Expander Product Specifications " means those detailed Tissue Expander Product specifications for each Tissue Expander Product that are: (a) set forth on **Exhibit B-2** hereto, or (b) added to **Exhibit B-2** from time to time by mutual written agreement of the Parties as specified in this Agreement.

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Other Terms . Other terms may be defined elsewhere in the text of this Agreement and shall have the meaning indicated in the applicable text, as such terms are used throughout this Agreement.

2. SUPPLY

2.1. Supply of Products . Commencing at the start of the first Contract Year and continuing for the Term, Supplier shall Manufacture and supply the Products to Sientra in accordance with the terms of this Agreement. Supplier shall use its commercially reasonable efforts to supply the Products, consistent with Sientra's Forecasts (as defined in Section 3.1).

3. FORECASTS, ORDERS AND DELIVERY

3.1. Forecasts . Sientra shall, *** provide Supplier with a *** binding commitment and *** nonbinding forecast (limited to months during the Term) (each a " **Forecast** "). Supplier shall provide written notice within ten (10) Business Days after receipt of a Forecast if Supplier does not in good faith believe it can supply sufficient Product to accommodate the needs of Sientra as identified in such Forecast.

3.2. ***

3.3. ***

3.4. ***

3.5. Purchase Orders . Sientra shall submit purchase orders for the Products to Supplier which shall, at a minimum, set forth the Products, quantities, confirmation of price, delivery dates, and shipping instructions and shipping addresses for all Products ordered. Purchase orders may be issued on an open-end "blanket" basis, reasonably acceptable to, and approved (which approval shall not be unreasonably withheld, conditioned or delayed) in writing by, Supplier, with periodic drawdowns. Purchase orders and drawdowns may be submitted electronically. Each accepted purchase order shall give rise to a contract between Sientra and Supplier for the sale of the Products ordered and shall be subject to and governed by the terms of this Agreement. The terms and conditions of this Agreement shall so govern and supersede any additional or contrary terms set forth in Sientra's purchase order or any Supplier or Sientra draw-down notice, acceptance, confirmation, invoice or other document.

3.6. Delivery/Title/Risk of Loss . All Sientra products are to be supplied in a sterile, final packaged configuration. In addition, Supplier shall pack the Products for shipment and storage in accordance with the packaging instruction set forth in the purchase order and the Product Specifications for the Products. Supplier shall be responsible for the cost of all packaging materials. All deliveries by Supplier under this Agreement shall be *** Supplier's facility. Title and risk of loss in the Products shall pass to Sientra upon delivery.

3.7. Timely Delivery . Since assurance of adequate supply at all times is essential to the operation of Sientra's business, Supplier shall use commercially reasonable efforts to meet delivery schedules. Any delays in delivery due to: (a) engineering changes outstanding with Sientra; or (b) temporary deviation notices pending with Sientra, shall not count against the timely delivery requirements of this Section 3.7 . Supplier shall promptly notify Sientra of any actual or prospective delay in delivery and Supplier shall obtain Sientra's, or its authorized third parties, approval before making partial deliveries (which approval shall not be unreasonably withheld, conditioned or delayed). If the delivery of Products is delayed through no fault of Sientra, Sientra may, at its option, require the Supplier to deliver Products by means of commercially reasonable premium transport identified by Sientra, at Supplier's reasonable cost.

3.8. Modification of Orders, Engineering Changes . Sientra may cancel a purchase order if Supplier has not begun Manufacturing the Products (including, without limitation, the purchase of components or materials necessary for the Products) to fulfill the purchase order or if the Products are not delivered within *** Business Days after the specified delivery date. If Supplier has begun, but not completed, Manufacturing a Product (including, without limitation, the purchase of components or materials necessary for the Product), Sientra may direct Supplier to stop such Manufacturing; provided that Sientra shall reimburse Supplier for the

fully-burdened costs (including, without limitation, the cost of components or materials purchased specifically for use in such Product) incurred by Supplier for such Product up to such stoppage of Manufacturing. Sientr a may not cancel a purchase order if Supplier has completed Manufacturing the Product. *** In the event of an approved engineering change (revision level change) of a Product, Supplier and Sientra shall review and mutually agree to a delivery schedule and, at then current price, of the inventory of Product at the prior revision level. Sientra shall reimburse Supplier for all direct, out of pocket costs of such engineering change, including, without limitation, obsolete materials, inventory (other than fini shed goods which are covered by the previous sentence) and equipment.

4. MANUFACTURING OF PRODUCTS

4.1. Manufacturing . Supplier shall Manufacture the Products ***

4.2. Manufacturing Equipment .

(a) ***

(b) *** For purposes of clarity, Sientra retains and shall retain ownership of all mandrels that Sientra may provide to Supplier for its use in manufacturing Products, and Supplier shall maintain and preserve such mandrels and shall be responsible for any loss of or damage to such mandrels (ordinary wear and tear excepted). Mandrels will be ordered and/or replaced during manufacturing and production as needed. Mandrels to support initial production capacity will be invoiced at time of purchase. Mandrels to replace retired tooling due to normal wear and tear or to meet increase in demand will be invoiced as needed. Mandrels will be invoiced at *** Sientra will own the mandrels required by Supplier to manufacture Sientra's Breast Implant Products and the mandrel/implant design files, including CAD files. Any Mandrels that Sientra pays for shall be used only in the performance of Manufacturing work for Sientra and shall remain the property of Sientra. Supplier assumes risk of loss and damage and shall maintain, and repair the mandrels to their original specifications at its expense. Supplier shall notify Sientra promptly whenever mandrels are in need of replacement due to normal wear and tear, which will be replaced at Sientra's expense. The cost of Mandrel damage or replacement requirements above normal wear and tear will be at Supplier's expense.

(c) ***

4.3. Vendors . Except as Sientra may otherwise expressly direct, Supplier shall be responsible for identifying and qualifying all vendors of materials, components and parts necessary to Manufacture the Products, and for procuring at its own expense all such materials, components and parts.

4.4. Inspection; Records . Supplier shall comply with all pre-delivery inspection and quality assurance requirements, as the same may be described in the Specifications, any *** or elsewhere herein, with respect to all Products. Supplier shall keep proper documentation at its US facilities of all Device Master Records, Quality Control Tests, Device History Records, Root Cause Analyses and all other required records for each Product. (Supplier shall provide copies of such documentation to Sientra, at Supplier's reasonable expense, within *** of written request by Sientra.) During the Term of this Agreement Sientra shall be permitted to inspect and test (in strict accordance with test standards agreed to by Supplier) such of Supplier's premises, records, processes, materials, work-in-process and finished goods inventory which

are used or produced directly and solely by Supplier in Manufact uring the Products for quality assurance purposes and to confirm Supplier's compliance with the terms of this Agreement. Any such Sientra inspection and testing shall be conducted at Sientra's sole expense (including, without limitation, the reimbursement to Supplier for any destructive testing of the Products), during Supplier's regular business hours, upon reasonable prior notice to Supplier and at a time and scope as agreed to by Supplier, such agreement not to be unreasonably withheld. Supplier shall re asonably assist Sientra with such inspections. In the event that Nonconforming materials, components or Products are identified during such inspections, Supplier shall, at its sole expense: (a) immediately replace the Nonconforming materials, components o r Products, and (b) perform and complete a Root Cause Analysis (as defined in Section 4.8) within *** after such Nonconformity. Inspection or testing by Sientra, or the waiving by Sientra of its right to inspect and test, shall not constitute acceptance b y Sientra.

4.5. Manufacturing and Specifications Modifications . Sientra shall have the right at any time to designate changes to the Specifications, components, materials or the suppliers of the components or materials for any Products (" **Product Change** "). *** To account for any increased or decreased cost to Supplier to Manufacture the Products which is caused by such Product Changes, pricing for the Products shall be adjusted pursuant to Section 5.3 .

4.6. Compliance with Certain Product Laws and Standards . *** Supplier shall at all times during the Term have a quality management system certified to ISO 13485 (or any successor provisions thereof). Sientra shall notify Supplier if there are requirements from additional geographies which Sientra would like Supplier to conform to, at which time Sientra and Supplier shall negotiate in good faith the costs associated with conforming to the additional requirements. If the Parties are unable to agree upon an equitable adjustment in the costs to effect such new conformance, then Supplier shall not be required to conform to such new requirements. Supplier further covenants, represents and warrants to Sientra that Supplier is not and shall not at any time during the Term be a debarred entity , and Supplier shall not use in any capacity the services of any individual or entity known by Supplier to be debarred under 21 U.S.C. §335(a) or (b) of the U.S. Food, Drug and Cosmetic Act in connection with its obligations hereunder. Subject to the conditions set forth in Section 4.4 , Supplier shall cause Sientra's regulatory personnel to be provided with reasonable access from time to time to the facilities and records of Supplier for the purpose of confirming Supplier's compliance with this Section 4.6 .

4.7. Non-waiver of Warranty. Acceptance of delivery of Products by Sientra, inspection of Supplier's Manufacturing operations under Sections 4.4 or 4.10 or otherwise and payment by Sientra for Products shall not constitute a waiver of any Sientra right set forth in this Agreement with respect to any Nonconformity.

4.8. Root Cause Analysis . When Nonconforming materials, components or Products are identified during any inspection or quality control tests, Supplier shall, at its sole expense: (a) immediately replace the Nonconforming materi als, components or Products, and (b) perform and complete a process to identify the underlying source or cause of Nonconforming materials, components or Products (a " **Root Cause Analysis** ") within *** after such Nonconformity is identified. Upon completion of each Root Cause Analysis, Supplier shall promptly implement a corrective action plan to prevent further nonconformities, and communicate to Sientra, in writing, the results of the Root Cause Analysis and corrective action plan.

4.9. Regulatory Responsibiliti es . Supplier shall be solely responsible for obtaining and maintaining all regulatory approvals and clearances from the Governmental Regulatory Authorities, any related filings thereto, required in order for the Supplier to Manufacture and sell the Produc ts to Sientra. Sientra shall be responsible for obtaining and maintaining all such regulatory approvals and clearances from the Governmental Regulatory Authorities, and any related filings thereto, required for the purchase, sale and distribution of the P roducts by Sientra. Each Party shall be responsible for submitting reports to the other party, the FDA and all other Governmental Regulatory Authorities as appropriate. Each Party shall provide all reasonable cooperation to the other in these efforts.

4.10. ***

5. PRICING/PAYMENT

5.1. Initial Pricing . The initial prices for the Products are set forth in **Exhibit F** .

5.2. Pricing Adjustments . *** All Purchase Orders (including accepted blanket order releases thereunder) in effect prior to the effective date of a price change permitted hereunder shall remain binding upon Supplier at the pricing then in effect prior to the price change but only for Product scheduled for shipment within ninety (90) days of Supplier's receipt of the applicable Purchase Order (or release thereunder).

5.3. Sientra Requested Product Changes . The full, incremental cost of any Product Change shall be borne by Sientra by way of an immediate change in pricing of any units (in which such Product Change has been incorporated) of such Product. If the cost to Supplier to Manufacture the Products changes as a result of Sientra's requested Product Change, Sientra and Supplier shall review the incremental cost of such change and shall jointly confer and negotiate in good faith to agree on the impact to Product pricing. ***

5.4. Payment Terms. Payment on invoices shall be made to Supplier by Sientra, net *** from the date of the invoice. If any amount owing Supplier is not paid within *** of when due, each unpaid amount shall bear interest after its due date at the rate of *** Sientra shall be responsible for Supplier's collection costs and attorneys' fees in collecting any past due amounts.

6. CONTRACT MANAGEMENT

6.1. Quarterly Review Meetings . The parties shall, per a written request by either party, meet in a mutually agreed to location to review and discuss, among others, the following points of performance under this Agreement:

(a) Ongoing Manufacturing and operation planning process, including inventory levels;

(b) Cost improvement and reduction efforts and initiatives;

(c) Product quality;

(d) Potential or existing disputes between Sientra and Supplier or Supplier and any or other Third Party;

(e) Any need for working groups and the defined scope of responsibilities; and

(f) Any need for standards and/or metrics by which to evaluate operation and/or performance of the parties under this Agreement, including performance related to delivery, quality and the need or potential for performance improvements.

7. OWNERSHIP AND INVENTIONS

7.1 Supplier's Intellectual Property . The Parties acknowledge and agree that Supplier has and shall have all rights, title and interests in and to: (a) all Intellectual Property owned by Supplier and conceived and/or reduced to practice prior to the Effective Date of this Agreement, (b) all Intellectual Property conceived and/or reduced to practice independently by Supplier without reliance on any Information provided by Sientra, *** or (d) Intellectual Property licensed to Supplier from third parties used by Supplier to develop and test and/or Manufacture the Products (collectively, the " **Supplier IP** ").

7.2 Sientra's Intellectual Property . The Parties acknowledge and agree that Sientra has and shall have all rights, title and interests in and to: (a) all Intellectual Property owned by Sientra and conceived and/or reduced to practice prior to the Effective Date of the Services Agreement and/or this Agreement, (b) all Intellectual Property conceived and/or reduced to practice independently by Sientra without reliance on any Information provided by Supplier; and ***

7.3 Development and Manufacturing Licenses .

(a) For purposes of clarity, during the Term of this Agreement, Sientra shall have a fully-paid, non-exclusive, non-sublicensable license (" **Project License** ") of all Supplier IP directly and solely necessary or required for Sientra to fulfil its rights, duties and obligations under this Agreement. For purposes of clarity, the Project License shall terminate upon the expiration or termination of this Agreement.

(b) ***

(c) ***

(d) ***

(e) ***

(f) ***

7.4 Cooperation and Assistance . A Party shall, at the other Party's request: (a) cooperate with and assist, both during and after the term of this Agreement, in perfecting, maintaining, protecting and enforcing Supplier's or Sientra's IP rights; and (b) execute and deliver to the Party any documents deemed necessary or appropriate by a Party in its discretion to perfect, maintain, protect or enforce the Party's rights in the Supplier IP or Sientra IP (as the case may be) or otherwise carry out the purpose of this Agreement.

8. CONFIDENTIALITY

8.1 Information Defined . " **Information** " means any information, whether or not designated as confidential, disclosed during or before the Term to one Party (" **Recipient** ") by the other Party (" **Discloser** "), either directly or indirectly in writing, orally, electronically or by delivery of tangible objects, including without limitation, confidential or proprietary information,

including without limitation: (a) concepts, ideas, inventions, models, diagrams, designs, data, documents, research, studies, analyses, forecasts, proces ses, procedures, systems, technology, intellectual property, trade secrets, business plans or opportunities, business strategies, marketing plans or opportunities, marketing strategies, product development plans or opportunities, future projects or product s, projects or products under consideration, and information relating to finances, costs, prices, suppliers, vendors, customers and employees; and (b) any information that contains, reflects, or is based upon, in whole or in part, any Information furnished to Recipient by Discloser, including without limitation any notes, analyses, compilations, studies, interpretations, memoranda or other documents or tangible objects. Information may also include information previously disclosed to Discloser by third part ies.

8.2 Nondisclosure and Confidentiality Obligations . Recipient agrees that it shall and shall cause its directors, officers, employees, agents and advisors to: (a) hold Discloser's Information in strict confidence using the same standard of care as it uses to protect its own confidential information of a similar nature, but in no event less than reasonable care; (b) not disclose the Information of Discloser to any Third Party without Discloser's prior written consent, except as expressly permitted under this Agreement; and (c) limit access to Discloser's Information to those of its employees or agents having a need to know for purposes of performance hereunder who are bound by confidentiality obligations at least as restrictive as those set forth herein. Notwithstanding the foregoing, Recipient may make disclosures as required or requested by a court of law or any governmental entity or agency, provided that Recipient, to the extent legally permissible, provides Discloser with reasonable prior notice to enable Discloser to seek confidential treatment of such information through a protective order or otherwise.

8.3 Use of Information . Recipient agrees that it shall not use Information other than as necessary for the performance of its obligations under this Agreement. Information disclosed by Discloser under this Agreement shall, in all respects, remain the sole property of Discloser and nothing contained herein shall be construed as granting or conferring to Recipient any license, interest, ownership rights or intellectual property rights in such Information.

8.4 Exclusions . The restrictions on the use and disclosure of Information shall not apply to any Information (or portion thereof) which: (a) is or becomes publicly known through no act or omission of Recipient; (b) is lawfully received from a Third Party without restriction on disclosure; (c) is already known by Recipient at the time it is disclosed by Discloser, as shown by Recipient's written records; or (d) is independently conceived or developed by Recipient without reference to or reliance upon any Information, as shown by Recipient's written records. Specific Information shall not be deemed available to the public or in the possession of a Recipient merely because it is embraced by more general information that is available or is in the Party's possession. In addition, any combination of Information or features shall not be deemed to be within the exclusions merely because individual features or elements of Information are within the exclusions, but rather only if both the combination itself and its principle of operation are within the exclusion.

8.5 Nondisclosure and Confidentiality Period . Recipient's confidentiality obligations as set forth above shall continue in full force and effect for the term of this Agreement

and for *** from the expiration or termina tion of this Agreement, except for any trade secret recognized as such under the Uniform Trade Secret Act for which Recipient's obligations with respect to use and disclosure shall continue unless and until the applicable Information of Discloser falls wit hin an exception set forth in Section 8.4 .

8.6 Injunctive Relief . Recipient acknowledges that a breach or threatened breach of this Section 8 would cause irreparable harm to Discloser, the extent of which would be difficult to ascertain. Accordingly, Recipient agrees that, in addition to any other remedies to which Discloser may be legally entitled, Discloser shall have the right to immediate (TRO), preliminary and permanent injunctive or other equitable relief in the event of a breach or threatened breach of this Section 8 by Recipient or any of its disclosees, all without any requirement that Recipient post any bond or other security.

8.7 Publicity . In addition to its other confidentiality obligations under this Agreement, neither Party shall make any announcement, take or release any photographs (except for its internal operation purposes for performance under this Agreement) or release any information concerning this Agreement or any part thereof or with respect to its business relationship with the other Party, to any member of the public, press, business entity or any official body, except as required by applicable law, rule, injunction or administrative order, unless prior written consent is obtained from the other Party. If a Party determines it is obligated by law or a governmental authority to make any such announcement or release, such Party shall promptly notify the other Party and cooperate with the other Party to ensure that suitable confidentiality obligations are afforded such information. Project results may not be published or referred to, in whole or in part, by Supplier or its Affiliates without the prior written consent of Sientra. Neither Party shall use any of the other Party's trademarks or tradenames without the prior written consent of the other Party.

8.8 Return of Materials . Upon Discloser's request or upon termination or expiration of this Agreement, Recipient shall promptly: (a) return to Discloser or, if so directed by Discloser, destroy all tangible embodiments of Discloser's Information (in every form and medium); (b) permanently erase all electronic files containing or summarizing any of Discloser's Information (except for any computer records or files that have been created pursuant to Recipient's automatic archiving and back-up procedures and the removal of which is not technically reasonable); and (c) if so directed by Discloser, confirm to Discloser in writing that Recipient has fully complied with the foregoing obligations. Notwithstanding the foregoing, Recipient shall be permitted to retain one (1) copy of Discloser's Information for its legal archives (subject to a continuing obligation of confidentiality) or as otherwise required by Applicable Laws.

9. NEW PRODUCTS

9.1. ***

10. MOLDS, MANDRELS AND TOOLING

10.1. Ownership . All molds, mandrels and tooling used in the Manufacture of the Products shall be the property of Sientra.

10.2. Maintenance . Supplier shall be responsible for maintaining all molds, mandrels and tooling in good working condition at all times during the Ter m.

10.3. Records . Supplier shall maintain a complete list of all molds, mandrels and tooling in its possession that are used to produce the Products. A report of molds, mandrels and tooling condition, maintenance, and usage history shall be submitted to Sientra, upon written request of Sientra from time to time, during the Term.

11. WARRANTY/COVENANTS/FIELD ACTIONS

11.1. Supplier Warranty .

(a) Supplier warrants to Sientra that each Product shall be Manufactured in accordance with the Manufacturing Specifications and shall conform to the Product Specifications *** (" **Limited Warranty** "), provided that this Limited Warranty shall not apply in instances where the failure of Products to meet the Product Specifications is not due to acts or omissions of Supplier or its Affiliate or subcontractors. *** An alleged breach of this Limited Warranty must be reported to Supplier within *** but in no event later than *** or such claim under the Limited Warranty shall be forever waived. **OTHER THAN AS EXPRESSLY SET FORTH IN THIS SECTION 11.1 , SUPPLIER MAKES AND GIVES NO OTHER REPRESENTATIONS OR WARRANTIES WHATSOEVER, AND EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, WHETHER EXPRESS, IMPLIED, OR STATUTORY, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WARRANTIES OF NONINFRINGEMENT AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE.**

(b) If any Product does not conform to the Limited Warranty stated in Section 11.1(a) above, Sientra's sole and exclusive remedy for such breach of warranty shall be *** Sientra shall not return any Product prior to obtaining written return authorization from Supplier. For clarity, the foregoing provisions of this Section 11.1(b) apply to direct claims by Sientra and do not preclude Sientra's assertion of its termination rights under Section 13.2(a)(1) or its indemnification rights under Section 12.2.

11.2. Sientra Warranty .

(a) Sientra represents, warrants and covenants to Supplier that:

(1) any and all information and materials disclosed to, and which may be disclosed during the term of this Agreement to, Supplier, or used for the benefit of Supplier by Sientra (excluding information and materials provided to Sientra by Supplier) do not and shall not include any confidential, trade secret or proprietary information of Third Parties, except where Sientra has the full and exclusive right and authority to disclose and use such information and materials upon the terms and conditions stated herein, all without any payment or other obligation to the Third Party;

(2) no part of any item that Sientra recommends for inclusion in the process for Manufacturing the Products (including, without limitation, the texturing process) requires a Third Party consent or license of Third Party information or rights that

Sientra could not sublicense or otherwise provide to enable Supplier's use in performing under this Agreement or for Manufacturing the Products;

(3) it developed and owns the Product Specifications;

(4) the Product Specifications do not and will not infringe the IP rights of any Third Party (whether in patent, trademark, copyright, trade secret or otherwise);

(5) the Breast Implant Products are subject to Regulatory Clearance, and once Regulatory Clearances have been obtained such Breast Implant Products will be classified as Class III medical devices;

(6) the Tissue Expander Products are subject to clearance for marketing and sale in the U.S. by the FDA, and once such clearances have been obtained such Tissue Expander Products will be classified as Class II medical devices;

(7) it has conducted and/or caused to be conducted such testing as is necessary and prudent to ensure that the Products to be Manufactured will fulfill their intended purpose;

(8) all Product Specifications and the design of all Products are and will be free from any defect.

11.3. Mutual Warranty . Each Party represents and warrants to the other Party that the following statements are true and correct as of the Effective Date and shall continue to be true and correct for the duration of the term of this Agreement: (a) such Party has the requisite expertise and ability to perform its obligations hereunder; (b) such Party has full power, authority and right to enter into the Agreement, and perform its obligations thereunder, without the consent, approval or authorization of any Third Party; (c) such Party is a Delaware corporation duly organized, validly existing and in good standing under the laws of Delaware and all other jurisdictions in which its conduct of business requires it to be qualified, and possesses all requisite authority to perform its obligations hereunder; and (d) the execution, delivery and performance of this Agreement by such Party does not constitute a breach of any contract, obligation or duty to which such Party is subject.

11.4. Sientra Covenants . Sientra shall: (a) comply with all Applicable Laws relating to its business and its performance under this Agreement (including, without limitation, the regulations and reporting requirements of the Government Regulatory Authorities), and has obtained all known governmental permits and licenses required for it to perform its obligations under this Agreement; (b) regularly share with Supplier information about Product claims and any Sientra performed or sponsored studies, trials and assessments relating to the Products; (c) notify Supplier of any facts, circumstances or events that may result in the loss of Class III medical device status (e.g., a change in material supplier); and (d) not infringe or misappropriate any intellectual property right of any Third Party.

11.5 Supplier Covenants. Supplier may share with Sientra information about any Supplier performed or sponsored *in vitro* studies, trials and assessments relating to the Products and shall notify Sientra of any actually known facts, circumstances or events that will result in the loss of Class III medical device status for the Breast Implant Products. For purposes of clarity, Supplier and its Affiliates have no right to conduct, and Supplier covenants that it and its Affiliates shall not conduct, any clinical trials or clinical studies on any Product; and (b)

Supplier shall not make any material change s to the Manufacturing Specifications used to Manufacture any Product sold to Supplier under this Agreement without Sientra's prior written consent (which consent will not be unreasonably withheld, delayed or conditioned) .

11.6 Field Actions . If any Product defect, breach of Supplier's Limited Warranty, or any action by the Government Regulatory Authorities necessitates or requires a Field Action of any Product, Sientra shall notify Supplier promptly (and, in any event, within five (5) business days) after becoming aware, before making any Field Action. The Parties shall endeavor to reach an agreement before taking any Field Action regarding the manner, text and timing of any publicity to be given such matters in time to comply with any requirements of the Government Regulatory Authorities. The Parties agree to provide reasonable cooperation to one another in the event of any Field Action. ***

11.7 ***

INDEMNIFICATION/LIMITATION OF LIABILITY/INSURANCE

12.1 By Sientra . **SUPPLIER AND THE SUPPLIER INDEMNIFIED PARTIES (AS DEFINED BELOW) SHALL NOT BE LIABLE TO SIENTRA AND THE SIENTRA INDEMNIFIED PARTIES (AS DEFINED BELOW) FOR, AND SIENTRA SHALL DEFEND, INDEMNIFY AND SAVE SUPPLIER, SUPPLIER'S SHAREHOLDERS (INCLUDING, WITHOUT LIMITATION, THE LUBRIZOL CORPORATION, INC. AND BERKSHIRE HATHAWAY, INC.), AFFILIATES AND SUBSIDIARIES, ALL OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES AND AGENTS, AND ALL OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS (COLLECTIVELY, THE "SUPPLIER INDEMNIFIED PARTIES"), HARMLESS FROM AND AGAINST ANY AND ALL CAUSES OF ACTION OR CLAIMS OF ANY KIND FOR LOSSES, COSTS, DAMAGES OR EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES) THAT ARE ALLEGED TO ARISE OUT OF, BE INCURRED IN CONNECTION WITH, BE RELATED TO OR RESULT FROM: *** **

12.2 By Supplier . **SUBJECT TO SECTION 12.5 , SUPPLIER SHALL DEFEND, INDEMNIFY AND SAVE SIENTRA, SIENTRA'S AFFILIATES AND SUBSIDIARIES, ALL OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES AND AGENTS, AND ALL OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS (COLLECTIVELY, THE "SIENTRA INDEMNIFIED PARTIES"), HARMLESS FROM AND AGAINST ANY AND ALL THIRD PARTY CAUSES OF ACTION OR CLAIMS OF ANY KIND FOR LOSSES, COSTS, DAMAGES OR EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES):**

(a) ***

(b) ***

(c) ***

12.3 Procedure .

(a) A Party, the Supplier Indemnified Parties and the Sientra Indemnified Parties (as the case may be) (each, an " **Indemnified Party** ") intending to make an indemnification/defense/and-or hold-harmless claim under this Section 12 (" **Indemnity Claim** ") shall promptly notify the other Party (" **Indemnifying Party** ") of such Indemnity Claim (provided, that no delay or deficiency on the part of the Indemnified Party in so notifying the Indemnifying Party will relieve the Indemnifying Party of any liability or obligation under this Agreement except to the extent the Indemnifying Party has suffered actual prejudice directly caused by the delay or o ther deficiency). The Indemnifying Party shall assume the defense thereof (with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party) whether or not such Indemnity Claim is rightfully brought (provided, however, that an Indemnified Party shall have the right to retain its own counsel and to participate in the defense thereof, with the fees and expenses to be paid by the Indemnified Party), unless a representation of both the Indemnified Party and the Indemnifying Party by the same counsel would be inappropriate due to the actual or potential differing interests between them, in which case the reasonable fees and expenses of counsel retained by the Indemnified Party shall be paid by the Indemnifying Party; provided, however, that the Indemnifying Party shall not be required to pay for more than one (1) separate law firm pursuant to such exception. If the Indemnifying Party shall fail to timely assume the defense of and reasonably defend such Indemnity Claim, the Inde mnified Party shall have the right to retain or assume control of such defense and the Indemnifying Party shall pay (as incurred and on demand) the fees and expenses of counsel retained by the Indemnified Party and all other expenses of investigation and l itigation. The Indemnified Party, and its directors, officers, advisers, agents and employees, shall cooperate fully with the Indemnifying Party and its legal representatives in the investigations of any Indemnity Claim. The Indemnifying Party shall not b e liable for the indemnification of any Indemnity Claim settled (or resolved by consent to the entry of judgment), without the written consent of the Indemnifying Party, which consent will not be unreasonably withheld, conditioned or delayed.

(b) Except as provided for in Section 12.3(c), if the Indemnifying Party accepts the defense of any such Indemnity Claim, the Indemnifying Party shall have the right to settle such Indemnity Claim; provided, that the Indemnifying Party shall obtain the prior written consent (which shall not be unreasonably withheld, conditioned or delayed) of the Indemnified Party before entering into any settlement, negotiated dismissal or judgment by consent of such Indemnity Claim, unless: (1) there is no finding or admission of any violation of Applicable Laws or any violation of the rights of any person or entity by an Indemnified Party and no requirement that the Indemnified Party admit fault or culpability; and (2) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party without contribution or indemnity by the Indemnified Party and such settlement does not require the Indemnified Party to take (or refrain from taking) any action (including, without limitation, any equitable remedy, injunction or specific performance).

(c) ***

12.4 Cooperation . Regardless of who controls the defense, the other Party hereto shall reasonably cooperate in the defense as may be requested. Without limitation, the Party hereto which is not the Indemnifying Party, and its directors, officers, advisers, agents and employees, shall

cooperate fully with the Indemnifying Party and its legal representatives in the investigations of any Indemnity Claim.

12.5 Limitations on Liability .

(a) **NOTWITHSTANDING ANYTHING TO THE CONTRARY, AND TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS, SUPPLIER (AND THE SUPPLIER INDEMNIFIED PARTIES) SHALL NOT BE LIABLE TO SIENTRA AND THE SIENTRA INDEMNIFIED PARTIES FOR ANY AND ALL CLAIMS FOR INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR STATUTORY DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS OR REVENUES OR BUSINESS; COST OF CAPITAL; COST OF PURCHASE; COST OF REPLACEMENT PRODUCTS; OR COST OF ANY FIELD ACTIONS, RECALLS, RETRIEVALS OR CONSUMER OR TRADE NOTIFICATIONS *** THAT ARE ALLEGED TO ARISE OUT OF, BE INCURRED IN CONNECTION WITH, BE RELATED TO OR RESULT FROM THIS AGREEMENT OR THE *** OR FROM THE PERFORMANCE OR BREACH HEREOF OR THEREOF, EVEN IF SUPPLIER HAS BEEN ADVISED OF SUCH POSSIBILITY OF SUCH DAMAGES.**

(b) **NOTWITHSTANDING ANYTHING TO THE CONTRARY, AND TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS, SUPPLIER'S (AND THE SUPPLIER INDEMNIFIED PARTIES') LIABILITY FOR *****

(c) **********

(d) ***

(1) ***

(2) ***

(3) ***

(4) ***

(5) ***

(e) ***

12.6 Insurance .

(a) Supplier shall, at all times during the Term, maintain and pay for workers' compensation insurance, employer's liability insurance and general liability insurance covering its employees and facilities.

(b) During the Term, Sientra shall maintain Products Liability and Errors and Omissions insurance which shall be issued by insurance companies having an A.M. Best financial strength rating of A-/VIII or better and which provides coverage for the liabilities of Sientra under any of the provisions of this Agreement, with limits at all times of not less than *** per occurrence. No policy of insurance required by t his Agreement shall contain a deductible or self-insured retention in excess of *** All deductibles and self-insured retentions carried by Sientra under its insurance program are the sole responsibility of Sientra and shall not be borne in any way by Suppl ier. Supplier shall be made an additional insured on all of Sientra's policies of insurance (including, without limitation, those providing coverage for products liability and errors and omissions) which provide coverage for the liabilities of Sientra unde r any of the provisions of this Agreement. Each policy shall include language providing that such insurance: (1) applies separately to each insured or additional insured against whom a claim is made; (2) shall respond as primary insurance and shall not con tribute with any other valid and collectible other insurance (including any deductibles or self-insured retentions) or self-insurance that may be maintained by Supplier; and (3) shall not contain any cross liability exception or exclusion that would bar cl aims made by or against an additional insured. Sientra shall cause the insurance companies issuing the insurance described in this Section 12.6(b) to waive, or Sientra shall waive on behalf of such insurance companies, all rights of subrogation against, or reimbursement from, Supplier. Upon execution of this Agreement, Sientra shall furnish Supplier with Certificates of Insurance evidencing Sientra's insurance coverage. Each such Certificate of Insurance shall accurately reflect the insurance in place, shal l be in a form satisfactory to Supplier and shall contain language: (1) providing that thirty (30) days written notice (except ten (10) days written notice in the case of nonpayment of premium) shall be given to Supplier prior to expiration of, cancellatio n of, or material change in the coverage; (2) confirming that Supplier is an additional insured; (3) confirming waiver of subrogation in favor of Supplier; and (4) setting forth any deductibles or self-insured retentions. If required by an insurance policy , Sientra shall furnish Supplier with endorsements signed by Sientra's insurer to effect any of the matters required by this Section 12.6(b) . If Supplier shall request, copies of Sientra's insurance policies shall be provided to Supplier. The foregoing ins urance requirements are minimum insurance requirements intended to benefit Supplier; shall not be interpreted to limit Sientra's liability to Supplier in any manner whatsoever; and are separate from, and independent of, Sientra's other obligations under th is Agreement, including but not limited to Sientra's obligations to defend, indemnify and hold Supplier harmless. Sientra's failure to provide insurance as required hereunder, or Sientra's failure to supply Certificates of Insurance or endorsements that co mply with this Section 12.6(b) , or the failure of Supplier to require evidence of insurance or to notify Sientra of any breach of the requirements of these provisions or deficiencies in the insurance obtained, shall not constitute a waiver by Supplier of a ny of these insurance requirements, or a waiver of any other terms of this Agreement, including but not limited to Sientra's obligations to defend, indemnify and hold Supplier harmless.

13. TERM AND TERMINATION

13.1 Term . This Agreement shall become effective on the Effective Date and continue for five (5) Contract Years (" **Term** "), unless terminated earlier pursuant to the provisions below.

13.2 Termination .

(a) Either Party may terminate this Agreement by written notice: (1) in the event the other Party is in material breach of any obligation under this Agreement, which default is incapable of cure or which, being capable of cure, has not been cured within sixty (60) days (or ten (10) days with respect to any payment obligation not otherwise subject to a good faith dispute) after receipt of notice of such breach; or (2) in the event the other Party shall make an assignment for the benefit of creditors or formally declare bankruptcy, insolvency, reorganization, liquidation, or receivership; or shall have instigated against it bankruptcy, insolvency, reorganization, liquidation, or receivership proceedings, and shall fail to remove itself from such proceedings within sixty (60) days from the date of institution of such proceedings. For purposes of this Section 13.2(a), the term "material breach" includes, without limitation, Sientra's breach of Section 11.2 or failure to comply with Section 12.1.

(b) If the commencement of Contract Year 1 has not occurred on or before *** then Sientra may terminate this Agreement upon thirty (30) days prior written notice.

13.3 Survival of Purchase Orders . Upon expiration of the Term, all then outstanding accepted purchase orders for Products shall survive. Upon an early termination of the Term, the party electing to terminate the Term may elect whether or not outstanding accepted purchase orders shall survive.

13.4 Sientra Equipment . Upon termination for any cause or upon expiration of the Term, Supplier agrees that Sientra shall have the right to immediately and at any time thereafter obtain possession of all molds and tooling (including mandrels) used in the Manufacture of the Products.

14. FORCE MAJEURE

Neither party shall be liable for failure to perform, or delay in the performance of, its obligations under this Agreement (other than payment obligations) when such failure or delay is caused by an event of Force Majeure (as defined below). For purposes of this Agreement, an event of " **Force Majeure** " means any event or circumstance beyond the reasonable control of the affected party, including, without limitation, war, insurrection, riot, fire, flood or other unusual weather condition, explosion, act of God, peril of the sea, sabotage, accident, embargo, act of governmental authority, compliance with governmental order on national defense requirements, or inability to obtain fuel, power, materials, labor or transportation facilities at commercially reasonable prices consistent with those prevailing as of the Effective Date. If, due to any event of Force Majeure, either party shall be unable to fulfill its obligations under this Agreement (other than payment obligations), the affected party shall immediately notify the other party of such inability and of the period during which such inability is expected to continue, shall use reasonable commercial efforts to cure and remedy such non-performance, and the time for performance shall be extended for a number of days equal to the duration of the Force Majeure, and the parties shall meet promptly to determine an equitable solution to the effects of such event. Upon the occurrence of, during the continuance of and for one month after a Force Majeure event, Sientra shall be permitted to adjust each Forecast as necessary to take into account any interruption in supply of the Products.

15. MISCELLANEOUS

15.1 No Joint Venture . Nothing contained in this Agreement shall be deemed to create a joint venture, partnership, agency or similar endeavor between the Parties hereto. Each party is an independent contractor, and shall not be considered an employee or agent of the other party. Neither Party has any authority to obligate the other party by contract or otherwise, and each Party agrees not to purport to do so. Neither Party nor its personnel are entitled to receive any employee welfare, pension or fringe benefits of any type from the other party including, without limitation, medical and dental coverage, disability, life insurance, severance, stock or deferred compensation programs, vacation or other paid time off. Each Party shall be responsible for all taxes, including without limitation, withholding, income, payroll and employment, value added, sales, goods and services, and stamp taxes, and any and all taxes assessed by any government authority that apply to such Party. Sientra shall be entitled to withhold from any payment due to Supplier any taxes that Sientra is required to pay on behalf of Supplier, and such payment shall decrease by an equivalent amount the payment due to Supplier. Sientra shall report payments made to Supplier as required by applicable federal, state or local tax law or regulations. Supplier may receive a Form 1099 if required under the United States Internal Revenue Code, and/or if the total annual compensation amount (including any products) exceeds the United States Internal Revenue Service threshold limit.

15.2 Notices . Any notice, request, approval or consent required or permitted to be given under this Agreement shall be in writing and deemed effectively given upon the earliest of: (a) personal delivery to the Party to be notified; (b) the date such notice is received from any reputable courier service that provides tracking and written verification of delivery; (c) the date on which it is delivered by email (or, if delivered by email after 5:00 p.m., on the next business day); or (d) the date on which it is actually physically received – in each case to the address or email address set forth below (provided that either Party may change its address/email address by notice given in accordance with thi s Section):

If to Supplier:	*** With a Copy To : *** Email: ***

If to Sientra:	If to Sientra: *** Sientra, Inc. 420 S. Fairview, Suite 200 Santa Barbara, CA 93117 Email: *** With a Copy To : Cooley LLP 1333 2nd Street Suite 400 Santa Monica, CA 90401 Attn: Tom Hopkins Email:thopkins@cooley.com

15.3 Entire Agreement . *** Provided, that any prior nondisclosure/nonuse agreements are not superseded; and the Parties confirm that any confidential information which was disclosed under such prior nondisclosure/nonuse agreements shall remain confidential and shall be subject to the nondisclosure and nonuse provisions set forth in Section 8 of this Agreement. Neither Party has made any promises, representations, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein, to induce the other Party to execute or authorize the execution of this Agreement, and each Party acknowledges that it has not executed or authorized the execution of this Agreement in reliance upon any such promise, representation, or warranty, covenant or undertaking not contained herein.

15.4 Modifications . Any alterations or amendments to this Agreement (including any handwritten changes) shall be null and void except if expressly set forth and identified as such in an instrument in writing, signed by authorized representatives of both Parties.

15.5 Waiver . Any waiver or failure to enforce any provision of the Agreement by either Party on one or more occasions shall not be deemed a waiver of any other provision or of such provision on any other occasion. In order to be effective for any purpose, any waiver must be in writing and signed by the Party making the waiver.

15.6 Assignment . Neither Party shall have the right or the power to assign any of its rights, or delegate or subcontract the performance of any of its obligations under this Agreement, without the prior written authorization of the other Party, such written authorization not to be unreasonably withheld, conditioned or delayed; *provided that* : (1) Sientra may assign this Agreement, without such consent, to its successor in interest in connection with a merger, acquisition or sale of all or substantially all of the assets of Sientra (or its Affiliate) provided: (A) such successor in interest has a tangible net worth of at least *** (as determined by GAAP) as of the date of Sientra's assignment; (B) such successor in interest represents and warrants in writing to Supplier that it is not insolvent and has not committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, had any petition in bankruptcy filed against it, filed a petition or undertaken any action proceeding to be declared bankrupt, to liquidate its assets or to be dissolved; and (C) in the event Sientra continues to exist as a legal entity, that Sientra remains liable for its liabilities and obligations under this Agreement which were incurred prior to the effective date of assignment (including, without limitation, under Sections 11.2 and 12.1); (2) Sientra may assign this Agreement, without such consent, to its successor in interest in connection with a merger, acquisition or sale of all or substantially all of the assets of Sientra (or its Affiliate) provided: (A) that such assignment is made after *** have occurred; and (B) that such successor in interest maintains the Indemnity Security in accordance with Section 11.7 of this Agreement; and (3) Supplier may assign this Agreement, without such consent, to its successor in interest in connection with a merger, acquisition or sale of all or substantially all of the assets of Supplier (or its Affiliate) provided that *** Any assignment in violation of the preceding sentences shall be void and no assignment shall relieve a Party of any of its obligations under this Agreement.

15.7 Remedies . Sientra's sole and exclusive remedies are limited to those expressly provided in this Agreement, as follows: *** Notwithstanding anything to the contrary, all such remedies are subject to the terms set forth in Section 12.5 .

15.8 Third-Party Beneficiaries . Except for the rights of the Su pplier Indemnified Parties and Sientra Indemnified Parties pursuant to Sections 12.1 and 12.2 , the terms and provisions of this Agreement are intended solely for the benefit of each Party hereto and their respective permitted successors or permitted assign s and it is not the intention of the Parties to confer third-party beneficiary rights upon any other person.

15.9 Governing Law . This Agreement (and all claims relating to or arising out of this Agreement, or breach thereof, whether sounding in contract, tort or otherwise) shall be governed by and construed in accordance with the laws of the State of New York, excluding that State's choice-of-law principles. The Parties agree that the United Nations Convention on Contracts for the International Sale of Goods shall be inapplicable to this Agreement and transactions hereunder.

15.10 Dispute Resolution . Except in the case of a claim for a breach of Sections 7 or 8 , if a Party has any other claim relating to or arising out of this Agreement, or breach thereof (whether sounding in contract, tort or otherwise), such Party shall promptly notify the other Party. The Parties shall then promptly seek to resolve such claim through good faith consultation and negotiation. If the Parties are unable to resolve such claim within thirty (30) days after the claim is made by a Party, then each Party shall be free to pursue its available rights or remedies. It is understood that such consultation, negotiation and thirty (30) day period shall not be required in the case of a claim for a breach of Sections 7 or 8 . Both Parties irrevocably consent and submit to the exclusive jurisdiction of the state courts in New York County, New York, and of the United States District Court for the Southern District of New York in connection with any litigation relating to or arising out of this Agreement, and both Parties expressly waive any objection they have or may have as to the venue or convenient-forum status of any such courts collectively.

15.11 Severability . This Agreement is severable. When possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law; but if any provision of this Agreement is determined by a final and binding court judgment to be invalid, illegal or unenforceable to any extent, such provision shall not be affected or impaired up to the limits of such invalidity, illegality or unenforceability; the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected or impaired in any way; and the parties agree to make a good faith effort to replace such invalid, illegal and unenforceable provision (or portion of provision) with a valid, legal and enforceable provision that achieves, to the greatest lawful extent under this Agreement, the economic, business and other purposes of such invalid, illegal or unenforceable provision (or portion of provision).

15.12 Survival . Each party's rights, remedies, obligations and responsibilities which have accrued before, or by their nature would be expected to extend beyond, the expiration, termination or other cancellation of this Agreement, shall survive such expiration, termination or other cancellation and continue to bind the parties and their permitted successors and assigns indefinitely until fulfilled or waived (including, without limitation, Sections 1, 4.2(c), 7, 8, 11, 12, 13 and 15).

15.13 Counterparts . This Agreement may be executed in two counterparts each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. Signatures to this Agreement transmitted by email, portable document format (.pdf) or by any other electronic means intended to preserve the original graphic and pictorial appearance of this Agreement shall have the same effect as the physical delivery of the paper document bearing the original signatures.

15.14 Further Assurances . Each Party shall without the necessity of any further consideration execute and deliver to the other Party all such instruments and other documents, and shall take all such other actions, as such other Party may reasonably request at any time for the purpose o f carrying out or evidencing the intent and purposes of this Agreement or the transactions contemplated hereby.

15.15 Services Agreement . Sections 11(B) and 12(C), and all references thereto, are hereby deleted from the Services Agreement.

15.16 Non-waiver . Notwithstanding anything to the contrary, Supplier's rights and remedies under this Agreement (including, without limitation, those arising out of or relating to Sections 11.2, 12.1 and 12.2(b) shall not be limited or otherwise be affected in any way by any knowledge or information that Supplier acquired, or could have acquired, from Sientra or otherwise, whether before or after the Effective Date, nor by any investigation or diligence by Supplier, whether before or after the Effective Date.

IN WITNES S WHEREOF , this Agreement has been executed by the Parties hereto through their duly authorized representatives effective as of the Effective Date.

SIENTRA, INC.

By:	/s/ Jeffrey M. Nugent
Name:	Jeffrey M. Nugent
Title:	Chief Executive Officer
Date:	March 10, 2017

VESTA INTERMEDIATE FUNDING, INC.

By:	/s/ Deb Langer
Name:	Deb Langer
Title:	Vice President and General Manager Personal, Home and Health Care
Date:	March 10, 2017

***

*** Sientra Silicone Gel Breast Implants
Attachment A – Product Numbers In Scope of Project

***

EXHIBIT A-2 – Tissue Expander Products

***

EXHIBIT B-1
***

***

*** Sientra Silicone Gel Breast Implants
Attachment B – Product Specifications

***

EXHIBIT B-2 – Tissue Expander Product Specifications

***

Manufacturing Agreement
Sientra Silicone Gel Breast Implants
Exhibit C-1 Breast Implant Manufacturing Specifications

***

EXHIBIT C-2 – Tissue Expander Manufacturing Specifications

***

EXHIBIT D
***

Manufacturing Agreement
Sientra Silicone Gel Breast Implants
Exhibit D Breast Implant Manufacturing Equipment

***

CONFIDENTIAL
***INDICATES 8 PAGES OF MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

***

EXHIBIT F

Pricing

***

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Exhibit 10.2

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this " **Agreement** ") dated as of March 13, 2017 (the " **Effective Date** "), between **SILICON VALLEY BANK** , a California corporation (" **Bank** "), and **SIENTRA, INC.** , a Delaware corporation (" **Borrower** "), provides the terms on which Bank shall extend credit and lend to Borrower and Borrower shall repay Bank. The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Notwithstanding the foregoing, all financial covenants and other financial calculations shall be computed with respect to Borrower only, and not on a consolidated basis. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Subject to the terms and conditions of this Agreement, Borrower hereby unconditionally promises to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.2 Revolving Line.

(a) Availability . Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank shall make Advances not exceeding the Availability Amount. Amounts borrowed under the Revolving Line may be repaid and, prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) Termination; Repayment . The Revolving Line terminates on the Revolving Line Maturity Date, when the principal amount of all Advances, the unpaid interest thereon, any unpaid portion of the Revolving Line and all other Obligations relating to the Revolving Line shall be immediately due and payable.

2.3 Term Loan.

(a) Availability . Subject to the terms and conditions of this Agreement, upon Borrower's request, during the Draw Period, Bank shall make one (1) term loan available to Borrower in an amount equal to Five Million Dollars ($5,000,000.00) (the " **Term Loan** "). After repayment, the Term Loan (or any portion thereof) may not be reborrowed.

(b) Interest Payments . With respect to the Term Loan, commencing on the first Payment Date following the Funding Date of the Term Loan and continuing on the Payment Date of each month thereafter, Borrower shall make monthly payments of interest, in arrears, on the principal amount of the Term Loan at the rate set forth in Section 2.5(a).

(c) Repayment . Commencing on the Amortization Start Date and continuing on each Payment Date thereafter, Borrower shall repay the Term Loan in (i) equal monthly installments of principal, plus (ii) monthly payments of accrued interest at the rate set forth in Section 2.5(a). All outstanding principal and accrued and unpaid interest under the Term Loan, the Final Payment and all other outstanding Obligations with respect to the Term Loan, are due and payable in full on the Term Loan Maturity Date.

(d) Permitted Prepayment . Borrower shall have the option to prepay in its entirety, the Term Loan, provided Borrower (i) delivers written notice to Bank of its election to prepay the Term Loan at least ten (10)

days prior to such prepayment, and (ii) pays, on the date of such prepayment (A) the outstanding principal plu s accrued and unpaid interest with respect to the Term Loan, (B) the Term Loan Prepayment Fee, (D) the Final Payment and (D) all other sums, if any, that shall have become due and payable with respect to the Term Loan, including interest at the Default Rat e with respect to any past due amounts.

(e) Mandatory Prepayment Upon an Acceleration . If the Term Loan is accelerated by Bank following the occurrence and during the continuance of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (i) all outstanding principal plus accrued and unpaid interest with respect to the Term Loan, (ii) the Term Loan Prepayment Fee, (iii) the Final Payment and (iv) all other sums, if any, that shall have become due and payable with respect to the Term Loan, including interest at the Default Rate with respect to any past due amounts.

2.4 Overadvances. If, at any time, the outstanding principal amount of any Advances exceeds the lesser of either the Revolving Line or the Borrowing Base, Borrower shall immediately pay to Bank in immediately available funds in Dollars, the amount of such excess (such excess, the " **Overadvance** "). Without limiting Borrower's obligation to repay Bank any Overadvance, Borrower agrees to pay Bank interest on the outstanding amount of any Overadvance, on demand, at a per annum rate equal to the rate that is otherwise applicable to Advances plus five percent (5.00%) but only for that time period that the Overadvance exists.

2.5 Payment of Interest on the Credit Extensi ons .

(a) Interest Rates .

(i) Advances . Subject to Section 2.5(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to one percent (1.00%) above the Prime Rate, which interest shall be payable monthly in accordance with Section 2.5(e) below.

(ii) Term Loan . Subject to Section 2.5(b), the principal amount outstanding under the Term Loan shall accrue interest at a floating per annum rate equal to one percent (1.00%) above the Prime Rate, which interest shall be payable monthly in accordance with Section 2.5(e) below.

(b) Default Rate . Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percent (5.00%) above the rate that is otherwise applicable thereto (the " **Default Rate** "). Fees and expenses which are required to be paid by Borrower pursuant to the Loan Documents (including, without limitation, Bank Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 2.5(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Adjustment to Interest Rate . Changes to the interest rate of any Credit Extension based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of any such change.

(d) Payment; Interest Computation . Interest is payable monthly on the Payment Date of each month and shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed. In computing interest, (i) all payments received after 12:00 p.m. Pacific time on any day shall be deemed received at the opening of business on the next Business Day, and (ii) the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

2.6 Fees . Borrower shall pay to Bank:

(a) Revolving Line Revolving Line Commitment Fee . A fully earned, non-refundable Revolving Line Commitment Fee equal to Nine Hundred Thirty-Seven Thousand Five Hundred Dollars

($937,500.00) (one and one quarter percent (1.25%) of the Revolving Line per annum) (the " **Revolving Line Commitment Fee** ") is fully earned as of the Effective Date and is due and payable (i) in increments of One Hundred Eighty-Seven Thousand Five Hundred Dollars ($187,500.00) on the Effective Date and each anniversary thereof or (ii) in full on the earlier termination of this Agreement or acceleration of the Obligations;

(b) Term Loan Prepayment Fee . The Term Loan Prepayment Fee, when due hereunder; provided however that the Term Loan Prepayment Fee shall be waived if the Term Loan is refinanced and substituted with another credit facility provided by Bank;

(c) Final Payment . The Final Payment, when due hereunder;

(d) Bank Expenses . All Bank Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due (or, if no stated due date, upon demand by Bank).

(e) Fees Fully Earned . Unless otherwise provided in this Agreement or in a separate writing by Bank, Borrower shall not be entitled to any credit, rebate, or repayment of any fees earned by Bank pursuant to this Agreement notwithstanding any termination of this Agreement or the suspension or termination of Bank's obligation to make loans and advances hereunder. Bank may deduct amounts owing by Borrower under the clauses of this Section 2.6 pursuant to the terms of Section 2.7(c). Bank shall provide Borrower written notice of deductions made from the Designated Deposit Account pursuant to the terms of the clauses of this Section 2.6 and allow Borrower to promptly dispute such deductions.

2.7 Payments; Application of Payments; Debit of Accounts .

(a) All payments to be made by Borrower under any Loan Document shall be made in immediately available funds in Dollars, without setoff or counterclaim, before 12:00 p.m. Pacific time on the date when due. Payments of principal and/or interest received after 12:00 p.m. Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

(b) Bank has the exclusive right to determine the order and manner in which all payments with respect to the Obligations may be applied. Borrower shall have no right to specify the order or the accounts to which Bank shall allocate or apply any payments required to be made by Borrower to Bank or otherwise received by Bank under this Agreement when any such allocation or application is not specified elsewhere in this Agreement unless as specifically noted for application of payments to the Advances, Term Loan, fees or interest.

(c) Bank may debit any of Borrower's deposit accounts, including the De signated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due. These debits shall not constitute a set-off.

2.8 Withholding . Payments received by Bank from Borrower under this Agreement will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority (including any interest, additions to tax or penalties applicable thereto). Specifically, however, if at any time any Governmental Authority, applicable law, regulation or international agreement requires Borrower to make any withholding or deduction from any such payment or other sum payable hereunder to Bank, Borrower hereby covenants and agrees that the amount due from Borrower with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction, Bank receives a net sum equal to the sum which it would have received had no withholding or deduction been required, and Borrower shall pay the full amount withheld or deducted to the relevant Governmental Authority. Borrower will, upon request, furnish Bank with proof reasonably satisfactory to Bank indicating that Borrower has made such withholding payment; provided, however, that Borrower need not make any withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in

full is bonded or reserved against by Borrower. The agreements and obligations of Borrower contained in this Section 2.8 shall survive the termination of this Agreement.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Bank's obligation to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed original signatures to the Loan Documents;

(b) the Operating Documents and long-form good standing certificates of Borrower certified by the Secretary of State (or equivalent agency) of Borrower's jurisdiction of organization or formation and each jurisdiction in which Borrower is qualified to conduct business, each as of a date no earlier than thirty (30) days prior to the Effective Date;

(c) a secretary's certificate of Borrower with respect to such Borrower's Operating Documents, incumbency, specimen signatures and resolutions authorizing the execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(d) duly executed original signatures to the completed Borrowing Resolutions for Borrower;

(e) certified copies, dated as of a recent date, of financing statement searches, as Bank may request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(f) the Perfection Certificate of Borrower , together with the duly executed original signature thereto;

(g) evidence satisfactory to Bank that the insurance policies and endorsements required by Section 6.7 hereof are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Bank; and

(h) payment of the fees and Bank Expenses then due as specified in Section 2.6 hereof.

3.2 Conditions Precedent to all Credit Extensions . Bank's obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

(a) timely receipt of (i) the Credit Extension request and any materials and documents required by Section 3.4 and (ii) with respect to the request for the Term Loan, an executed Payment/Advance Form and any materials and documents required by Section 3.4;

(b) the representations and warranties in this Agreement shall be true, accurate, and complete in all material respects on the date of the proposed Cre dit Extension and/or of the Payment/Advance Form, as applicable, and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in this Agreement remain true, accurate, and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided,

further that those representations and w arranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date;

(c) Bank determines to its satisfaction that there has not been a Material Adverse Change; and

(d) With respect to the making of the Term Loan, Borrower has duly executed and delivered the Warrant to Bank.

3.3 Covenant to Deliver . Borrower agrees to deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. Borrower expressly agrees that a Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Bank's sole discretion.

3.4 Procedures for Borrowing .

(a) Advances . Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this Agreement, to obtain an Advance, Borrower shall notify Bank (which notice shall be irrevocable) by electronic mail by 12:00 p.m. Pacific time on the Funding Date of the Advance. Such notice shall be made by Borrower through Bank's online banking program, provided, however, if Borrower is not utilizing Bank's online banking program, then such notice shall be in a written format acceptable to Bank that is executed by an Authorized Signer. Bank shall have received satisfactory evidence that the provision of such notices and the requests for Advances have been approved by the Board. In connection with any such notification, Borrower must promptly deliver to Bank by electronic mail or through Bank's online banking program such reports and information, including without limitation, sales journals, cash receipts journals, accounts receivable aging reports, as Bank may request in its sole discretion. Bank shall credit proceeds of an Advance to the Designated Deposit Account. Bank may make Advances under this Agreement based on instructions from an Authorized Signer or without instructions if the Advances are necessary to meet Obligations which have become due.

(b) Term Loan . Subject to the prior satisfaction of all other applicable conditions to the making of the Term Loan set forth in this Agreement, to obtain the Term Loan, Borrower shall notify Bank (which notice shall be irrevocable) by electronic mail by 12:00 noon Pacific time three (3) Business Days before the Funding Date of the Term Loan. Such notice shall be made by Borrower through Bank's online banking program, provided, however, if Borrower is not utilizing Bank's online banking program, then such notice shall be in a written format acceptable to Bank that is executed by an Authorized Signer. Bank shall have received satisfactory evidence that the provision of such notices and the requests for the Term Loan have been approved by the Board. In connection with such notification, Borrower must promptly deliver to Bank by electronic mail or through Bank's online banking program a completed Payment/Advance Form executed by an Authorized Signer, the Warrant and such other reports and information, as Bank may request in its sole discretion. Bank shall credit proceeds of any Term Loan to the Designated Deposit Account. Bank may make the Term Loan under this Agreement based on instructions from an Authorized Signer or without instructions if the Term Loan is necessary to meet Obligations which have become due.

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof.

Borrower acknowledges that it previously has entered, and/or may in the future enter, into Bank Services Agreements with Bank. Regardless of the terms of any Bank Services Agreement, Borrower agrees that any amounts Borrower owes Bank thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and Bank to have all such Obligations secured by the first priority perfected security interest in the

Collateral granted herein (subject only to Permitte d Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Bank's Lien in this Agreement).

If this Agreement is terminated, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in immediately available funds. Upon payment in full in immediately available funds of the Obligations (other than inchoate indemnity obligations) and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall, at the sole cost and expense of Borrower, release its Liens in the Collateral and all rights therein shall revert to Borrower. In the event (x) all Obligations (other than inchoate indemnity obligations), except for Bank Services, are satisfied in full, and (y) this Agreement is terminated, Bank shall terminate the security interest granted herein upon Borrower providing cash collateral acceptable to Bank in its good faith business judgment for Bank Services, if any. In the event such Bank Services consist of outstanding Letters of Credit, Borrower shall provide to Bank cash collateral in an amount equal to (x) if such Letters of Credit are denominated in Dollars, then at least one hundred five percent (105.00%); and (y) if such Letters of Credit are denominated in a Foreign Currency, then at least one hundred ten percent (110.00%), of the Dollar Equivalent of the face amount of all such Letters of Credit plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its business judgment), to secure all of the Obligations relating to such Letters of Credit.

4.2 Priority of Security Interest. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Bank's Lien under this Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

4.3 Authorization to File Financing Statements. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 Due Organization, Authorization; Power and Authority. Borrower is duly existing and in good standing as a Registered Organization in its jurisdiction of formation and is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its business or its ownership of property requires that it be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business. In connection with this Agreement, Borrower has delivered to Bank a completed certificate signed by Borrower entitled "Perfection Certificate" (the " **Perfection Certificate** "). Borrower represents and warrants to Bank that (a) Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Borrower's organizational identification number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth Borrower's place of business, or, if more than one, its chief executive office as well as Borrower's mailing address (if different than its chief executive office); (e) Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement). If Borrower is not now a Registered Organization but later becomes one, Borrower shall promptly notify Bank of such occurrence and provide Bank with Borrower's organizational identification number.

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borr ower's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award o f any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect), or (v) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of, any materia l agreement by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower's business.

5.2 Collate ral. Borrower has good title to, rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no Collateral Accounts at or with any bank or financial institution other than Bank or Bank's Affiliates except for the Collateral Accounts described in the Perfection Certificate delivered to Bank in connection herewith and which Borrower has taken such actions as are necessary to give Bank a perfected security interest therein, pursuant to the terms of Section 6.8(b). The Accounts are bona fide, existing obligations of the Account Debtors.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 7.2.

All Inventory is in all material respects of good and marketable quality, free from material defects.

Borrower is the sole owner of the Intellectual Property which it owns or purports to own except for (a) non-exclusive licenses granted to its customers in the ordinary course of business, (b) over-the-counter software that is commercially available to the public, and (c) material Intellectual Property licensed to Borrower and noted on the Perfection Certificate. Each Patent which it owns or purports to own and which is material to Borrower's business is valid and enforceable, and no part of the Intellectual Property which Borrower owns or purports to own and which is material to Borrower's business has been judged invalid or unenforceable, in whole or in part. To the best of Borrower's knowledge, no claim has been made that any part of the Intellectual Property violates the rights of any third party except to the extent such claim would not reasonably be expected to have a material adverse effect on Borrower's business.

Except as noted on the Perfection Certificate, Borrower is not a party to, nor is it bound by, any Restricted License.

5.3 Accounts Receivable; Inventory .

(a) For each Account with respect to which Advances are requested, on the date each Advance is requested and made, such Account shall be an Eligible Account.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Eligible Accounts are and shall be true and correct and all such in voices, instruments and other documents, and all of Borrower's Books are genuine and in all respects what they purport to be. All sales and other transactions underlying or giving rise to each Eligible Account shall comply in all material respects with all applicable laws and governmental rules and regulations. To the best of Borrower's knowledge, there is no actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are Eligible Accounts in any Borrowing Base Report. To the best of Borrower's knowledge, all signatures and endorsements on all documents, instruments, and agreements relating to all Eligible Accounts are genuine, and all such documents, instruments and agreements are legally enforceable in accordance with their terms.

5. 4 Litigation . Except as set forth in the Perfection Certificate, there are no actions or proceedings pending or, to the best knowledge of any Responsible Officer, threatened in writing by or against Borrower or any of its Subsidiaries involving more than, individually or in the aggregate, Two Hundred Thousand Dollars ($200,000.00).

5.5 Financial Statements; Financial Condition. All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.6 Solvency. The fair salable value of Borrower's consolidated assets (including goodwill minus disposition costs) exceeds the fair value of Borrower's liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.7 Regulatory Compliance. Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower (a) has complied in all material respects with all Requirements of Law, and (b) has not violated any Requirements of Law the violation of which could reasonably be expected to have a material adverse effect on its business. None of Borrower's or any of its Subsidiaries' properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

5.8 Subsidiaries; Investments . Borrower does not own any stock, partnership, or other ownership interest or other equity securities except for Permitted Investments.

5.9 Tax Returns and Payments; Pension Contributions . Borrower has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except to the extent such taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor.

To the extent Borrower defers payment of any contested taxes, Borrower shall (i) notify Bank in writing of the commencement of, and any material development in, the proceedings, and (ii) post bonds or take any other steps required to prevent the governmental authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien." Borrower is unaware of any claims or adjustments proposed for any of Borrower's prior tax years which could result in additional taxes becoming due and payable by Borrower. Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.10 Use of Proceeds . Borrower shall use the proceeds of the Credit Extensions solely as working capital and to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.11 Full Disclosure . No written representation, warranty or other statement of Borrower in any certificate or written statement given to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the

certificates or statements not misleading (it being recognized by Bank that the projections and forecasts provided by Borrower in good faith and based upon r easonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.12 Definition of "Knowledge . " For purposes of the Loan Documents, whenever a representation or warranty is made to Borrower's knowledge or awareness, to the "best of" Borrower's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of any Responsible Officer.

6 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

6.1 Government Compliance .

(a) Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualifica tion in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, in all material respects, with all laws, ordinances and regulations to which it is subject.

(b) Obtain all of the Governmental Approvals necessary for the performance by Borrower of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Bank in all of its property. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Bank.

6.2 Financial Statements, Reports, Certificates . Provide Bank with the following:

(a) a Borrowing Base Report (and any schedules related the reto and including any other information requested by Bank with respect to Borrower's Accounts) (i) no later than Friday of each week when (y) a Streamline Period is not in effect and (z) any Advances remain outstanding or (ii) with each request for an Advance when a Streamline Period is not in effect;

(b) within thirty (30) days after the end of each month, (A) monthly accounts receivable agings, aged by invoice date, (B) monthly accounts payable agings, aged by invoice date, and outstanding or held check registers, if any, (C) Deferred Revenue report, (D) customer deposit schedule and (E) detailed debtor listing;

(c) within thirty (30) days after the end of each month when a Streamline Period is not in effect, monthly reconciliations of accounts receivable detail ledger agings (aged by invoice date);

(d) as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated balance sheet and income statement covering Borrower's and each of its Subsidiary's operations for such month certified by a Responsible Officer and in a form acceptable to Bank (the " **Monthly Financial Statements** ");

(e) within thirty (30) days after the last day of each month and together with the Monthly Financial Statements, a duly completed Compliance Certificate signed by a Responsible Officer, certifying that as of the end of such month, Borro wer was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement (if applicable) and such other information as Bank may reasonably request, including, without limitation, a statement that at the end of such month there were no held checks;

(f) within sixty (60) days after each fiscal year of Borrower, and contemporaneously with any updates or amendments thereto, (A) annual operating b udgets (including income statements, balance sheets and cash flow statements, by month) for the then-current fiscal year of Borrower, and (B) annual financial projections

for the following fiscal year (on a quarterly basis), in each case as approved by the Board, together with any related business forecasts used in the preparation of such annual financial projections;

(g) within five (5) days of filing, copies of all periodic and other reports, proxy statements and other materials filed by Borrower and/or a ny Guarantor with the SEC, any Governmental Authority succeeding to any or all of the functions of the SEC or with any national securities exchange, or distributed to its shareholders, as the case may be. Documents required to be delivered pursuant to the terms hereof (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower posts such documents, or provides a link thereto, on Borrower's website on the internet at Borrower's website address;

(h) within five (5) days of delivery, copies of all statements, reports and notices made available to Borrower's security holders or to any holders of Subordinated Deb t;

(i) prompt report of any legal actions pending or threatened in writing against Borrower or any of its Subsidiaries that could result in damages or costs to Borrower or any of its Subsidiaries of, individually or in the aggregate, Two Hundred Thousand D ollars ($200,000.00) or more; and

(j) promptly, from time to time, such other information regarding Borrower or compliance with the terms of any Loan Documents as reasonably requested by Bank.

6.3 Accounts Receivable .

(a) Schedules and Documents Relating to Accounts . Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 6.2, on Bank's standard forms; provided, however, that Borrower's failure to execute and deliver the same shall not affect or limit Bank's Lien and other rights in all of Borrower's Accounts, nor shall Bank's failure to advance or lend against a specific Account affect or limit Bank's Lien and other rights therein. If requested by Bank, Borrower shall furnish Bank with copies (or, at Bank's request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals (unless otherwise agreed by Bank in writing) of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary indorsements, and copies of all credit memos.

(b) Disputes . Borrower shall promptly notify Bank of all disputes or claims relating to Accounts. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm's-length transactions, and reports the same to Bank in the regular reports provided to Bank; (ii) no Event of Default has occurred and is continuing; and (iii) after taking into account all such discounts, settlements and forgiveness, the total outstanding Advances will not exceed the lesser of the Revolving Line or the Borrowing Base.

(c) Collection of Accounts . Borrower shall direct Account Debtors to deliver or transmit all proceeds of Accounts into a lockbox account, or via electronic deposit capture into a "blocked account" as specified by Bank (either such account, the " **Cash Collateral Account** "). Whether or not an Event of Default has occurred and is continuing, Borrower shall immediately deliver all payments on and proceeds of Accounts to the Cash Collateral Account. Subject to Bank's right to maintain a reserve pursuant to Section 6.3(d), all amounts received in the Cash Collateral Account shall be (i) applied to immediately reduce the Obligations when a Streamline Period is not in effect (unless Bank, in its sole discretion, at times when an Event of Default exists, elects not to so apply such amounts), or (ii) transferred on a daily basis to Borrower's operating account with Bank when a Streamline Period is in effect. Borrower hereby authorizes Bank to transfer to the Cash Collateral Account any amounts that are or Bank reasonably determines are proceeds of the Accounts (provided that Bank is under no obligation to do so and this allowance shall in no event relieve Borrower of its obligations hereunder).

(d) Reserves . Notwithstand ing any terms in this Agreement to the contrary, at times when an Event of Default exists, Bank may hold any proceeds of the Accounts and any amounts in the Cash Collateral Account that are not applied to the Obligations pursuant to Section 6.3(c) above (i ncluding amounts otherwise required to be transferred to Borrower's operating account with Bank when a Streamline Period is in effect) as a reserve to be applied to any Obligations regardless of whether such Obligations are then due and payable.

(e) Returns . Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall hold the returned Inventory in trust for Bank, and immediately notify Bank of the return of the Inventory.

(f) Verifications; Confirmations; Credit Quality; Notifications . Bank may, from time to time, (i) verify and confirm directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose, and notify any Account Debtor of Bank's security interest in such Account and/or (ii) conduct a credit check of any Account Debtor to approve any such Account Debtor's credit.

(g) No Liability . Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to an Account. Nothing herein shall, however, relieve Bank from liability for its own gross negligence or willful misconduct.

6.4 Remittance of Proceeds . Except as otherwise provided in Section 6.3(c), deliver, in kind, all proceeds arising from the disposition of any Collateral to Bank in the original form in which received by Borrower not later than the following Business Day after receipt by Borrower, to be applied to the Obligations (a) prior to an Event of Default, pursuant to the terms of Section 6.3(c) hereof, and (b) after the occurrence and during the continuance of an Event of Default, pursuant to the terms of Section 9.4 hereof; provided that, if no Event of Default has occurred and is continuing, Borrower shall not be obligated to remit to Bank the proceeds of the sale of worn out or obsolete Equipment disposed of by Borrower in good faith in an arm's length transaction for an aggregate purchase price of Twenty-Five Thousand Dollars ($25,000.00) or less (for all such transactions in any fiscal year). Borrower agrees that it will not commingle proceeds of Collateral with any of Borrower's other funds or property, but will hold such proceeds separate and apart from such other funds and property and in an express trust for Bank. Nothing in this Section 6.4 limits the restrictions on disposition of Collateral set forth elsewhere in this Agreement.

6.5 Taxes; Pensions . Timely file, and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each of its Subsidiaries, except for deferred payment of any taxes contested pursuant to the terms of Section 5.9 hereof, and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.6 Access to Collateral; Books and Records . At reasonable times, on three (3) Business Days' notice (provided no notice is required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right to inspect the Collateral and the right to audit and copy Borrower's Books. The foregoing inspections and audits shall be conducted no more often than once every twelve (12) months (or more frequently as Bank in its sole discretion determines that conditions warrant) unless an Event of Default has occurred and is continuing in which case such inspections and audits shall occur as often as Bank shall determine is necessary. Bank and Borrower hereby agree that the Initial Audit shall be completed no later than one hundred eighty (180) days after the initial request for an Advance hereunder. The foregoing inspections and audits shall be conducted at Borrower's expense and the charge therefor shall be One Thousand Dollars ($1,000.00) per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus reasonable out-of-pocket

expenses. In the event Borrower and Bank schedule an audit more than ten (10) days in advance, and Borrower cancels or seeks to or reschedules the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank's rights or remedies) Borrower shall pay Bank a fee of One Thousand Dollars ($1,000.00) plus any actual out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

6.7 Insurance .

(a) Maintain and keep in force insurance to cover the Collateral in amounts standard for companie s in Borrower's industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with financially sound and reputable insurance companies that are not Affiliates of Borrower, and in amounts that are satisfactory to Bank. All property policies shall have a lender's loss payable endorsement showing Bank as lender loss payee. All liability policies shall show, or have endorsements showing, Bank as an additional insured. Bank shall be named as lender loss payee and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral.

(b) Ensure that proceeds payable under any property policy are, at Bank's option, payable to Bank on account of the Obligations.

(c) At Bank's request, Borrower shall deliver certified copies of insurance policies and evidence of all premium payments. Each provider of any such insurance required under this Section 6.7 shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to Bank, that it will give Bank thirty (30) days prior written notice before any such policy or policies shall be materially altered or canceled. If Borrower fails to obtain insurance as required under this Section 6.7 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 6.7, and take any action under the policies Bank deems prudent.

6.8 Accounts .

(a) No lat er than thirty (30) days after the Effective Date and at all times thereafter, (i) maintain its and all of its Subsidiaries' primary securities/investment accounts with Bank and Bank's Affiliates, (ii) maintain at least fifty percent (50%) of all of Borrower's cash, Cash Equivalents and other investments with Bank and Bank's Affiliates and (iii) deliver to Bank a Control Agreement for all Collateral Accounts maintained outside Bank. No later than ninety (90) days after the Effective Date and at all times thereafter, maintain its and all of its Subsidiaries' primary operating and other deposit accounts and the Cash Collateral Account with Bank.

(b) In addition to and without limiting the restrictions in (a), Borrower shall provide Bank five (5) days prior w ritten notice before establishing any Collateral Account at or with any bank or financial institution other than Bank or Bank's Affiliates. For each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder which Control Agreement may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes, and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such.

6.9 Financial Covenant . Maintain at all times (i) when any Advances are outstanding or (ii) if Borrower has not yet achieved the FDA Milestone, measured as of the last day of each month, an Adjusted Quick Ratio of at least 1.15 to 1.00. Notwithstanding the foregoing, if Borrower fails to maintain an Adjusted Quick Ratio of at least 1.15 to 1.00, Borrower shall have five (5) days to cure such default by cash securing the outstanding principal balance of the Term Loan in a collateral account pledged to Bank until such time that Borrower provides to Bank evidence, satisfactory to Bank in its sole discretion, that Borrower has returned to compliance with the financial covenant or such financial covenant is no longer applicable to Borrower.

6.10 Protection of Intellectual Property Rights .

(a) (i) Protect, defend and maintain the validity and enforceability of its Intellectual Property; (i i) promptly advise Bank in writing of material infringements or any other event that could reasonably be expected to materially and adversely affect the value of its Intellectual Property; and (iii) not allow any Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Bank's written consent.

(b) Provide written notice to Bank within ten (10) days of entering or becoming bound by any Restricted License (other than over-the-counter software that is c ommercially available to the public). Borrower shall take such steps as Bank requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (i) any Restricted License to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such Restricted License, whether now existing or entered into in the future, and (ii) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

6.11 Litigation Cooperation . From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Borrower and its officers, employees and agents and Borrower's books and records, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

6.12 Online Banking . Utilize Bank's online banking platform for all matters requested by Bank which shall include, without limitation (and without request by Bank for the following matters), uploading information pertaining to Accounts and Account Debtors, requesting approval for exceptions, requesting Credit Extensions, and uploading financial statements and other reports required to be delivered by this Agreement (including, without limitation, those described in Section 6.2 of this Agreement).

6.13 Formation or Acquisition of Subsidiaries . Notwithstanding and without limiting the negative covenants contained in Sections 7.3 and 7.7 hereof, at the time that Borrower or any Guarantor forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Effective Date, Borrower and such Guarantor shall (a) cause such new Subsidiary to provide to Bank a joinder to this Agreement to become a co-borrower hereunder or a Guaranty to become a Guarantor hereunder, together with such appropriate financing statements and/or Control Agreements, all in form and substance satisfactory to Bank (including being sufficient to grant Bank a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary, in form and substance satisfactory to Bank; and (c) provide to Bank all other documentation in form and substance satisfactory to Bank, including one or more opinions of counsel satisfactory to Bank, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above. Any document, agreement, or instrument executed or issued pursuant to this Section 6.13 shall be a Loan Document.

6.14 Further Assurances . Execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's Lien in the Collateral or to effect the purposes of this Agreement. Deliver to Bank, within five (5) days after the same are sent or received, copies of all correspondence, reports, documents and other filings with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Requirements of Law or that could reasonably be expected to have a material effect on any of the Governmental Approvals or otherwise on the operations of Borrower or any of its Subsidiaries.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

7.1 Dispositions . Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, " **Transfer** "), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment that is, in the reasonable judgment of Borrower, no longer economically practicable to maintain or useful in the ordinary course of business of Borrower; (c) consisting of Permitted Liens and Permitted Investments; (d) consisting of the sale or issuance of any stock of Borrower permitted under Section 7.2 of this Agreement; (e) consisting of Borrower's use or transfer of money or Cash Equivalents in the ordinary course of its business for the payment of ordinary course business expenses in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; and (f) of non-exclusive licenses for the use of the property of Borrower or its Subsidiaries in the ordinary course of business and licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States.

7.2 Changes in Business, Management, Control, or Business Locations . (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related thereto; (b) liquidate or dissolve; or (c) permit or suffer any Change in Control.

Borrower shall not, without at least thirty (30) days prior written notice to Bank: (1) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Ten Thousand Dollars ($10,000.00) in Borrower's assets or property) or deliver any portion of the Collateral valued, individually or in the aggregate, in excess of Ten Thousand Dollars ($10,000.00) to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, (2) change its jurisdiction of organization, (3) change its organizational structure or type, (4) change its legal name, or (5) change any organizational number (if any) assigned by its jurisdiction of organization. If Borrower intends to deliver any portion of the Collateral valued, individually or in the aggregate, in excess of Ten Thousand Dollars ($10,000.00) to a bailee, and Bank and such bailee are not already parties to a bailee agreement governing both the Collateral and the location to which Borrower intends to deliver the Collateral, then Borrower will first receive the written consent of Bank, and such bailee shall execute and deliver a bailee agreement in form and substance satisfactory to Bank.

7.3 Mergers or Acquisitions . Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person (including, without limitation, by the formation of any Subsidiary), except for Permitted Acquisitions. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness . Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance . Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, permit any Collateral not to be subject to the first priority security interest granted herein, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or any Subsidiary's Intellectual Property, except as is otherwise permitted in Section 7.1 hereof and the definition of "Permitted Liens" herein.

7.6 Maintenance of Collateral Accounts . Maintain any Collateral Account except pursuant to the terms of Section 6.8(b) hereof.

7.7 Distributions; Investments . (a) P ay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock, provided that Borrower may (i) convert any of its convertible securities into other securities pursuant to the terms of such convertible securities or ot herwise in exchange thereof, (ii) pay dividends solely in common stock; and (iii) repurchase the stock of former employees or consultants pursuant to stock repurchase agreements so long as an Event of Default does not exist at the time of any such repurch ase and would not exist after giving effect to any such repurchase, provided that the aggregate amount of all such repurchases does not exceed One Hundred Thousand Dollars ($100,000.00) per fiscal year; or (b) directly or indirectly make any Investment (in cluding, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 Transactions with Affiliates . Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, 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.

7.9 Subordinated Debt . (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof, provide for earlier or greater principal, interest, or other payments thereon, or adversely affect the subordination thereof to Obligations owed to Bank.

7.10 Compliance . Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower's business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an " **Event of Default** ") under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension when due, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Revolving Line Maturity Date or the Term Loan Maturity Date). During the cure period, the failure to make or pay any payment specified under clause (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Sections 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.12 or 6.13 or violates any covenant in Section 7; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specif ied in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the

default cannot by its nature be cu red 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 period (which shall not in an y case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Cure periods provided under this section shall not apply, among other things, to financial covenants or any other covenants set forth in clause (a) above;

8.3 Material Adverse Change. A Material Adverse Change occurs;

8.4 Attachment; Levy; Restraint on Business .

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or of any entity under the control of Borrower (including a Subsidiary) or (ii) a notice of lien or levy is filed against any of Borrower's assets by any Governmental Authority, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; or

(b) (i) any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower from conducting all or any material part of its business;

8.5 Insolvency . (a) Borrower or any of its Subsidiaries is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower or any of its Subsidiaries begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower or any of its Subsidiaries and is not dismissed or stayed within thirty (30) days (but no Credit Extensions shall be made while any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements . There is, under any agreement to which Borrower or any Guarantor is a party with a third party or parties, (a) any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of One Hundred Thousand Dollars ($100,000.00); or (b) any breach or default by Borrower or Guarantor, the result of which could have a material adverse effect on Borrower's or any Guarantor's business;

8.7 Judgments; Penalties . One or more fines, penalties or final judgments, orders or decrees for the payment of money in an amount, individually or in the aggregate, of at least One Million Dollars ($1,000,000.00) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower by any Governmental Authority, and the same are not, within thirty (30) days after the entry, assessment or issuance thereof, discharged, satisfied, or paid, or after execution thereof, stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay (provided that no Credit Extensions will be made prior to the satisfaction, payment, discharge, stay, or bonding of such fine, penalty, judgment, order or decree);

8.8 Misrepresentations . Borrower or any Person acting for Borrower makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 Subordinated Debt . Any document, instrument, or agreement evidencing any Subordinated Debt shall for any reason be revoked or invalidated or otherwise cease to be in full force and effect, any Person shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement or any applicable subordination or intercreditor agreement;

8.10 Guaranty . (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform any obligation or covenant under any guaranty of the Obligations; (c) any c ircumstance described in Sections 8.3, 8.4, 8.5, 8.6, 8.7, or 8.8 of this Agreement occurs with respect to any Guarantor, (d) the death, liquidation, winding up, or termination of existence of any Guarantor; or (e) (i) a material impairment in the perfecti on or priority of Bank's Lien in the collateral provided by Guarantor or in the value of such collateral or (ii) a material adverse change in the general affairs, management, results of operation, condition (financial or otherwise) or the prospect of repay ment of the Obligations occurs with respect to any Guarantor; or

8.11 Governmental Approvals. Any material Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could result in the Governmental Authority taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal (i) causes, or could reasonably be expected to cause, a Material Adverse Change, or (ii) adversely affects the legal qualifications of Borrower or any of its Subsidiaries to hold such Governmental Approval in any applicable jurisdiction and such revocation, rescission, suspension, modification or non-renewal could reasonably be expected to affect the status of or legal qualifications of Borrower or any of its Subsidiaries to hold any Governmental Approval in any other jurisdiction.

9 BANK'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or exte nding credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) demand that Borrower (i) deposit immediately available funds with Bank in an amount equal to at least (A) one hundred five percent (105.00%) of the Dollar Equivalent of the aggregate face amount of all Letters of Credit denominated in Dollars remaining undrawn, and (B) one hundred ten percent (110.00%) of the Dollar Equivalent of the aggregate face amount of all Letters of Credit denominated in a Foreign Currency remaining undrawn (plus, in each case, all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment)), to secure all of the Obligations relating to such Letters of Credit, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all letter of credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any FX Contracts;

(e) verify the amount of, demand payment of and performance under, and collect any Accounts and General Intangibles, settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, and notify any Person owing Borrower money of Bank's security interest in such funds. Borrower shall collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the Account Debtor, with proper endorsements for deposit;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be

prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(g) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) amount held by Bank owing to or for the credit or the account of Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell t he Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, Patents, Copyrights, mask works, rights of use of any name, trade secrets, trade names, Trademarks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section 9.1, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(i) place a "hold" on any account maintained with Bank 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;

(j) demand and receive possession of Borrower's Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney . Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, exercisable following the occurrence of an Event of Default, to: (a) endorse Borrower's name on any checks, payment instruments, or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) demand, collect, sue, and give releases to any Account Debtor for monies due, settle and adjust disputes and claims about the Accounts directly with Account Debtors, and compromise, prosecute, or defend any action, claim, case, or proceeding about any Collateral (including filing a claim or voting a claim in any bankruptcy case in Bank's or Borrower's name, as Bank chooses) (subject to protecting the reasonable expectations of Borrower); (d) make, settle, and adjust all claims under Borrower's insurance policies (subject to protecting the reasonable expectations of Borrower); (e) pay, contest or settle any Lien, charge, encumbrance, security interest, or other claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Bank or a third party as the Code permits. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of Bank's security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and the Loan Documents have been terminated. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and the Loan Documents have been terminated.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.7 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest rate applicable to the Obligations, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Bank shall have the right to apply in any order any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations. Bank shall pay any surplus to Borrower by credit to the Designated Deposit Account or to other Persons legally entitled thereto and Bank will not stop any withdrawals of such amount; Borrower shall remain liable to Bank for any deficiency. If Bank, directly or indirectly, enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank

shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral, other than loss, damage, or destruction resulting from Bank's gross negligence or willful misconduct.

9.6 No Waiver; Remedies Cumulative. Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by the party granting the waiver and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election and shall not preclude Bank from exercising any other remedy under this Agreement or other remedy available at law or in equity, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Bank or Borrower may change its mailing or electronic mail address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower:	SIENTRA, INC. 420 South Fairview Avenue, Suite 200 Santa Barbara, CA 93117 Attn: Patrick Williams, CFO Fax: _____ Email: patrick.williams@sientra.com
If to Bank:	SILICON VALLEY BANK 200 Spectrum Center Drive, Suite 1420 Irvine, CA 92618 Attn: Kevin Fleischman – Vice President Fax: _____ Email: KFleischman@svb.com

11 CHOICE OF LAW, VENUE, JURY TRIAL WAIVER AND JUDICIAL REFERENCE

Except as otherwise expressly provided in any of the Loan Documents, California law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive

jurisdiction of the State and Federal courts in Santa Clara County, California; provided, however, that nothing in this Agreement shall be deemed to operate to precl ude Bank from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly submits and conse nts in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the gr anting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and o ther process may be made by registered or certified mail addressed to Borrower at the address set forth in, or subsequently provided by Borrower in accordance with, Section 10 of this Agreement and that service so made shall be deemed completed upon the ea rlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO WAIVE THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY, if the above waiver of the right to a trial by jury is not enforceable, the parties hereto agree that any and all disputes or controversies of any nature between them arising at any time shall be decided by a reference to a private judge, mutually selected by the parties (or, if they cannot agree, by the Presiding Judge of the Santa Clara County, California Superior Court) appointed in accordance with California Code of Civil Procedure Section 638 (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts), sitting without a jury, in Santa Clara County, California; and the parties hereby submit to the jurisdiction of such court. The reference proceedings shall be conducted pursuant to and in accordance with the provisions of California Code of Civil Procedure Sections 638 through 645.1, inclusive. The private judge shall have the power, among others, to grant provisional relief, including without limitation, entering temporary restraining orders, issuing preliminary and permanent injunctions and appointing receivers. All such proceedings shall be closed to the public and confidential and all records relating thereto shall be permanently sealed. If during the course of any dispute, a party desires to seek provisional relief, but a judge has not been appointed at that point pursuant to the judicial reference procedures, then such party may apply to the Santa Clara County, California Superior Court for such relief. The proceeding before the private judge shall be conducted in the same manner as it would be before a court under the rules of evidence applicable to judicial proceedings. The parties shall be entitled to discovery which shall be conducted in the same manner as it would be before a court under the rules of discovery applicable to judicial proceedings. The private judge shall oversee discovery and may enforce all discovery rules and orders applicable to judicial proceedings in the same manner as a trial court judge. The parties agree that the selected or appointed private judge shall have the power to decide all issues in the action or proceeding, whether of fact or of law, and shall report a statement of decision thereon pursuant to California Code of Civil Procedure Section 644(a). Nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclose against collateral, or obtain provisional remedies. The private judge shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph.

This Section 11 shall survive the termination of this Agreement.

12 GENERAL PROVISIONS

12.1 Termination Prior to Maturity Date; Survival. All covenants, representations and warranties made in this Agreement shall continue in full force until this Agreement has terminated pursuant to its terms and all Obligations have been satisfied. So long as Borrower has satisfied the Obligations (other than inchoate indemnity obligations, and any other obligations which, by their terms, are to survive the termination of this Agreement, and any Obligations under Bank Services Agreements that are cash collateralized in accordance with Section 4.1 of this Agreement), this Agreement may be terminated prior to the Revolving Line Maturity Date and the Term Loan Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank.

Those obligations that are expressly specified in this Agreement as surviving this Agreement's termination shall continue to survive notwithstanding this Agreement's termination.

12.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's discretion). Bank has the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents (other than the Warrant, as to which assignment, transfer and other such actions are governed by the terms thereof).

12.3 Indemnification . Borrower agrees to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank (each, an " **Indemnified Person** ") harmless against: (i) all obligations, demands, claims, and liabilities (collectively, " **Claims** ") claimed or asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (ii) all losses or expenses (including Bank Expenses) in any way suffered, incurred, or paid by such Indemnified Person as a result of, following from, consequential to, or arising from transactions between Bank and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by such Indemnified Person's gross negligence or willful misconduct.

This Section 12.3 shall survive until all statutes of limitation with respect to the Claims, losses, and expenses for which indemnity is given shall have run.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.5 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.6 Correction of Loan Documents. Bank may correct patent errors and fill in any blanks in the Loan Documents consistent with the agreement of the parties.

12.7 Amendments in Writing; Waiver; Integration. No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be enforceable or admissible unless, and only to the extent, expressly set forth in a writing signed by the party against which enforcement or admission is sought. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of the Loan Documents merge into the Loan Documents.

12.8 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement.

12.9 Confidentiality. In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's Subsidiaries or Affiliates (such Subsidiaries and Affiliates, together with Bank, collectively, " **Bank Entities** "); (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Bank shall use its best efforts to obtain any prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; (e) as Bank considers appropriate in exercising remedies under the Loan

Documents; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. Confidential information does not include infor mation that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain (other than as a result of its disclosure by Bank in violation of this Agreement) after disclosure to Bank; or (ii) disclos ed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

Bank Entities may use confidential information for the development of databases, reporting purposes, and market analysis so long as such confidential information is aggregated and anonymized prior to distribution unless otherwise expressly permitted by Borrower. The provisions of the immediately preceding sentence shall survive the termination of this Agreement.

12.10 Attorneys' Fees, Cost s and Expenses. In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.11 Electronic Execution of Documents. The words "execution," "signed," "signature" and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

12.12 Right of Setoff. Borrower hereby grants to Bank a Lien and a right of setoff as security for all Obligations to Bank, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a subsidiary of Bank) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may setoff the same or any part thereof and apply the same to any liability or Obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.13 Captions. The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

12.14 Co nstruction of Agreement. The parties mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

12.15 Relationship. The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

12.16 Third Parties. Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any person not an express party to this Agreement; or (c) give any person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

13 DEFINITIONS

13.1 Definitions. As used in the Loan Documents, the word "shall" is mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting, the singular

includes the plural, and numbers denoting amounts that are set off in brackets are negative. As used in this Agreement, the following capitalized terms have the fol lowing meanings:

" **Account** " is any " **account** " as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

" **Account Debtor** " is any " **account debtor** " as defined in the Code with such additions to such term as may hereafter be made.

" **Adjusted Quick Ratio** " means a ratio of (A) the sum of Borrower's (i) unrestricted cash and Cash Equivalents held at Bank *plus* (ii) net accounts receivable *divided by* (B) the Borrower's Current Liabilities.

" **Advance** " or " **Advances** " means a revolving credit loan (or revolving credit loans) under the Revolving Line.

" **Affiliate** " is, with respect to any Person, each other Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

" **Agreement** " is defined in the preamble hereof.

" **Amortization Start Date** " is April 1, 2018; provided, however, if Borrower achieves the FDA Milestone, then the Amortization Start Date shall automatically, with no further action required by the parties hereto, be extended to April 1, 2019.

" **Authorized Signer** " is any individual listed in Borrower's Borrowing Resolution who is authorized to execute the Loan Documents, including making (and executing if applicable) any Credit Extension request, on behalf of Borrower.

" **Availability Amount** " is, (I) if a Streamline Period is in effect, an amount equal to the Revolving Line minus the outstanding principal balance of any Advances, or (II) when a Streamline Period is not in effect, an amount equal to (a) the lesser of (i) the Revolving Line or (ii) the amount available under the Borrowing Base minus (b) the outstanding principal balance of any Advances.

" **Bank** " is defined in the preamble hereof.

" **Bank Entities** " is defined in Section 12.9.

" **Bank Expenses** " are all audit fees and expenses, costs, and expenses (including reasonable attorneys' fees and expenses) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower or any Guarantor.

" **Bank Services** " are any products, credit services, and/or financial accommodations previously, now, or hereafter provided to Borrower or any of its Subsidiaries by Bank or any Bank Affiliate, including, without limitation, any letters of credit, cash management services (including, without limitation, merchant services, direct deposit of payroll, business credit cards, and check cashing services), interest rate swap arrangements, and foreign exchange services as any such products or services may be identified in Bank's various agreements related thereto (each, a "Bank Services Agreement").

" **Bank Services Agreement** " is defined in the definition of Bank Services.

" **Board** " is Borrower's board of directors.

“ **Borrower** ” is defined in the preamble hereof.

“ **Borrower’s Books** ” are all Borrower’s books and records including ledgers, federal and state tax returns, records regarding Borrower’s assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

“ **Borrowing Base** ” is eighty percent (80.00%) of Eligible Accounts as determined by Bank from Borrower’s most recent Borrowing Base Report (and as may subsequently be updated by Bank in Bank’s sole discretion based upon information received by Bank including, without limitation, Accounts that are paid and/or billed following the date of the Borrowing Base Report); provided, however, that Bank has the right to decrease the foregoing percentage in its good faith business judgment to mitigate the impact of events, conditions, contingencies, or risks which may adversely affect the Collateral or its value.

“ **Borrowing Base Report** ” is that certain report of the value of certain Collateral in the form attached hereto as Exhibit C .

“ **Borrowing Resolutions** ” are, with respect to any Person, those resolutions in the form attached hereto as Exhibit E .

“ **Business Day** ” is any day that is not a Saturday, Sunday or a day on which Bank is closed.

“ **Cash Collateral Account** ” is defined in Section 6.3(c).

“ **Cash Equivalents** ” means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc.; (c) Bank’s certificates of deposit issued maturing no more than one (1) year after issue; and (d) money market funds at least ninety-five percent (95.00%) of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

“ **Change in Control** ” means (a) at any time, any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the “beneficial owner” (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of twenty-five percent (25.00%) or more of the ordinary voting power for the election of directors of Borrower (determined on a fully diluted basis) other than by the sale of Borrower’s equity securities in a public offering or to venture capital or private equity investors so long as Borrower identifies to Bank the venture capital or private equity investors at least seven (7) Business Days prior to the closing of the transaction and provides to Bank a description of the material terms of the transaction; (b) during any period of twelve (12) consecutive months, a majority of the members of the board of directors or other equivalent governing body of Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or (c) at any time, Borrower shall cease to own and control, of record and beneficially, directly or indirectly, one hundred percent (100.00%) of each class of outstanding capital stock of each subsidiary of Borrower free and clear of all Liens (except Liens created by this Agreement).

“ **Claims** ” is defined in Section 12.3.

“ **Code** ” is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of California; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such

term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection , or priority of, or remedies with respect to, Bank's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than California, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in su ch other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

" **Collateral** " is any and all properties, rights and assets of Borrower described on Exhibit A .

" **Collateral Account** " is any Deposit Account, Securities Account, or Commodity Account.

" **Commodity Account** " is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

" **Compliance Certificate** " is that certain certificate in the form attached hereto as Exhibit B .

" **Contingent Obligation** " is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation, in each case, directly or indirectly guaranteed, endorsed, co made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

" **Control Agreement** " is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

" **Copyrights** " are any and all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

" **Credit Extension** " is any Advance, any Overadvance, the Term Loan, or any other extension of credit by Bank for Borrower's benefit.

" **Currency** " is coined money and such other banknotes or other paper money as are authorized by law and circulate as a medium of exchange.

" **Current Liabilities** " are all obligations and liabilities of Borrower to Bank (other than with respect to the Term Loan), plus, without duplication, the aggregate amount of Borrower's Total Liabilities that mature within one (1) year.

" **Default Rate** " is defined in Section 2.5(b).

" **Deferred Revenue** " is all amounts received or invoiced in advance of performance under contracts and not yet recognized as revenue.

" **Deposit Account** " is any " **deposit account** " as defined in the Code with such additions to such term as may hereafter be made.

“ **Designated Deposit Account** ” is the account number ending 9472, maintained by Borrower with Bank (provided, however, if no such account number is included, then the Designated Deposit Account shall be any deposit account of Borrower maintained with Bank a s chosen by Bank).

“ **Dollars** ,” “ **dollars** ” or use of the sign “$” means only lawful money of the United States and not any other currency, regardless of whether that currency uses the “$” sign to denote its currency or may be readily converted into lawful money of the United States.

“ **Dollar Equivalent** ” is, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in a Foreign Currency, the equivalent amount therefor in Dollars as determined by Bank at such time on the basis of the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

“ **Draw Period** ” is the period of time commencing on the Effective Date through the earlier to occur of (a) July 31, 2017, and (b) the occurrence of an Event of Default.

“ **Effective Date** ” is defined in the preamble hereof.

“ **Eligible Accounts** ” means Accounts which arise in the ordinary course of Borrower’s business that meet all Borrower’s representations and warranties in Section 5.3, that have been, at the option of Bank, confirmed in accordance with Section 6.3(f) of this Agreement, and are due and owing from Account Debtors deemed creditworthy by Bank in its good faith business judgment. Bank reserves the right at any time after the Effective Date to adjust any of the criteria set forth below and to establish new criteria in its good faith business judgment. Unless Bank otherwise agrees in writing, Eligible Accounts shall not include:

(a) Accounts for which the Account Debtor is Borrower’s Affiliate, officer, employee, or agent, and Accounts that are intercompany Accounts;

(b) Accounts that the Account Debtor has not paid within ninety (90) days of invoice date regardless of invoice payment period terms;

(c) Accounts with credit balances over ninety (90) days from invoice date;

(d) Accounts owing from an Account Debtor if fifty percent (50.00%) or more of the Accounts owing from such Account Debtor have not been paid within ninety (90) days of invoice date;

(e) Accounts owing from an Account Debtor which does not have its principal place of business in the United States unless such Accounts are otherwise approved by Bank in writing;

(f) Accounts billed from and/o r payable to Borrower outside of the United States;

(g) Accounts owing from an Account Debtor to the extent that Borrower is indebted or obligated in any manner to the Account Debtor (as creditor, lessor, supplier or otherwise - sometimes called “contra” a ccounts, accounts payable, customer deposits or credit accounts);

(h) Accounts owing from an Account Debtor which is a United States government entity or any department, agency, or instrumentality thereof unless Borrower has assigned its payment rights to Bank and the assignment has been acknowledged under the Federal Assignment of Claims Act of 1940, as amended;

(i) Accounts for demonstration or promotional equipment, or in which goods are consigned, or sold on a “sale guaranteed”, “sale or return”, “sale on approval”, or other terms if Account Debtor’s payment may be conditional;

(j) Accounts owing from an Account Debtor where goods or services have not yet been rendered to the Account Debtor (sometimes called memo billings or pre-billings);

(k) Accounts subject to contractual arrangements between Borrower and an Account Debtor where payments shall be scheduled or due according to completion or fulfillment requirements (sometimes called contracts accounts receivable, progress billings, milestone billings, or fulfillment contracts);

(l) Accounts owing from an Account Debtor the amount of which may be subject to withholding based on the Account Debtor's satisfaction of Borrower's complete performance (but only to the extent of the amount withheld; sometimes c alled retainage billings);

(m) Accounts subject to trust provisions, subrogation rights of a bonding company, or a statutory trust;

(n) Accounts owing from an Account Debtor that has been invoiced for goods that have not been shipped to the Account Debtor unless Bank, Borrower, and the Account Debtor have entered into an agreement acceptable to Bank wherein the Account Debtor acknowledges that (i) it has title to and has ownership of the goods wherever located, (ii) a bona fide sale of the goods has occurred, and (iii) it owes payment for such goods in accordance with invoices from Borrower (sometimes called "bill and hold" accounts);

(o) Accounts for which the Account Debtor has not been invoiced;

(p) Accounts that represent non-trade receivables or that ar e derived by means other than in the ordinary course of Borrower's business;

(q) Accounts for which Borrower has permitted Account Debtor's payment to extend beyond ninety (90) days (including Accounts with a due date that is more than ninety (90) days fro m invoice date);

(r) Accounts arising from chargebacks, debit memos or other payment deductions taken by an Account Debtor;

(s) Accounts arising from product returns and/or exchanges (sometimes called "warranty" or "RMA" accounts);

(t) Accounts in which th e Account Debtor disputes liability or makes any claim (but only up to the disputed or claimed amount), or if the Account Debtor is subject to an Insolvency Proceeding, or becomes insolvent, or goes out of business;

(u) Accounts owing from an Account Debt or with respect to which Borrower has received Deferred Revenue (but only to the extent of such Deferred Revenue);

(v) Accounts owing from an Account Debtor, whose total obligations to Borrower exceed thirty-five percent (35.00%) of all Accounts, for the a mounts that exceed that percentage, unless Bank approves in writing; and

(w) Accounts for which Bank in its good faith business judgment determines collection to be doubtful, including, without limitation, accounts represented by "refreshed" or "recycled" invoices.

" **Equipment** " is all " **equipment** " as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

" **ERISA** " is the Employee Retirement Income Security Act of 1974, and its regulations.

" **Event of Default** " is defined in Section 8.

" **Exchange Act** " is the Securities Exchange Act of 1934, as amended.

“ **FDA Milestone** ” means Borrower’s delivery to Bank of evidence, satisfactory to Bank in its sole discretion, no later than March 31, 2018, that Borrower has obtained FDA certification of its manufacturing facility in Wisconsin.

“ **Final Payment** ” is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) due on the earliest to occur of (a) the final Payment Date for the Term Loan, (b) the voluntary prepayment of the Term Loan or (c) the acceleration of the Term Loan, equal to the original principal amount of the Term Loan multiplied by the Final Payment Percentage.

“ **Final Payment Percentage** ” is twelve and a half percentage points (12.50%).

“ **Foreign Currency** ” means lawful money of a country other than the United States.

“ **Funding Date** ” is any date on which a Credit Extension is made to or for the account of Borrower which shall be a Business Day.

“ **FX Contract** ” is any foreign exchange contract by and between Borrower and Bank under which Borrower commits to purchase from or sell to Bank a specific amount of Foreign Currency on a specified date.

“ **GAAP** ” is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

“ **General Intangibles** ” is all “general intangibles” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

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

“ **Governmental Authority** ” is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

“ **Guarantor** ” is any Person providing a Guaranty in favor of Bank.

“ **Guaranty** ” is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

“ **Indebtedness** ” is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

“ **Indemnified Person** ” is defined in Section 12.3.

“ **Initial Audit** ” is Bank’s inspection of Borrower’s Accounts, the Collateral, and Borrower’s Books, with results satisfactory to Bank in its sole and absolute discretion.

“ **Insolvency Proceeding** ” is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, exte nsions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“ **Intellectual Property** ” means, with respect to any Person, all of such Person’s right, title, and interest in and to the following:

(a) its Copyrights , Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how and operating manuals;

(c) any and all source code;

(d) any and all design rights which may be av ailable to such Person;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

“ **Inventory** ” is all “ **inventory** ” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower’s custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

“ **Investment** ” is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

“ **Lien** ” is a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

“ **Loan Documents** ” are, collectively, this Agreement and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, the Warrant, any Bank Services Agreement, any subordination agreement, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement by Borrower and/or any Guarantor with or for the benefit of Bank, all as amended, restated, or otherwise modified.

“ **Material Adverse Change** ” is (a) a material impairment in the perfection or priority of Bank’s Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower; or (c) a material impairment of the prospect of repayment of any portion of the Obligations.

“ **Monthly Financial Statements** ” is defined in Section 6.2(d).

“ **Obligations** ” are Borrower’s obligations to pay when due any debts, principal, interest, fees, Bank Expenses, the Revolving Line Commitment Fee, the Final Payment and other amounts Borrower owes Bank now or later, whether under this Agreement, the other Loan Documents (other than the Warrant), or otherwise, including, without limitation, all obligations relating to Bank Services and interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and to perform Borrower’s duties under the Loan Documents (other than the Warrant).

" **Operating Documents** " are, for any Person, such Person's format ion documents, as certified by the Secretary of State (or equivalent agency) of such Person's jurisdiction of organization on a date that is no earlier than thirty (30) days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all cu rrent amendments or modifications thereto.

" **Overadvance** " is defined in Section 2.4.

" **Patents** " means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

" **Payment/Advance Form** " is that certain form in the form attached hereto as Exhibit D .

" **Payment Date** " is (a) with respect to the Term Loan, the first (1st) calendar day of each month and (b) with respect to Advances, the last calendar day of each month.

" **Perfection Certificate** " is defined in Section 5.1.

" **Permitted Acquisition** " is an acquisition of all or substantially all of the equity interests or assets (or all or substantially all of the assets constituting a business unit, division, product line or line of business) of a Person, provided, unless Bank otherwise consents in writing:

(a) the Person acquired or assets acquired is a type of business (or the assets are used in a type of business) similar or complementary to Borrower;

(b) no Event of Default exists or would result from such acquisition;

(c) Borrower shall be in compliance with all covenants set forth in this Agreement both before and after giving effect to any such acquisition;

(d) total cash and stock compe nsation paid by Borrower in connection with all such acquisitions does not exceed Fifteen Million Dollars ($15,000,000) over the life of this Agreement;

(e) Bank shall have received at least twenty (20) days prior written notice of the closing date for suc h acquisition;

(f) Borrower shall remain a surviving legal entity; and

(g) any Person that is acquired and remains a separate legal entity shall become a co-borrower or secured Guarantor under this Agreement in accordance with Section 6.13 hereof.

" **Permitted Indebtedness** " is:

(a) Borrower's Indebtedness to Bank under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date which is shown on the Perfection Certificate;

(c) Subordinated Debt;

(d) unsecured Indebtedne ss to trade creditors incurred in the ordinary course of business;

(e) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;

(f) Indebtedness secured by Liens permitted under clauses (a) and (c) of the definition of "Permitted Liens" hereunder;

(g) Indebtedness of Borrower to any Subsidiary and Indebtedness of any Subsidiary that is not either a Co-Borrower or Guarantor hereunder to Borrower in an aggregate principal amount not to exceed Two Hund red Fifty Thousand Dollars ($250,000.00);

(h) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (g) above, provided that the principal amount thereof is not increased or the terms thereo f are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

" **Permitted Investments** " are:

(a) Investments (including, without limitation, Subsidiaries) existing on the Effective Date which are shown on the Perfection Certificate;

(b) Investments consisting of Cash Equivalents;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(d) Investments accepted i n connection with Transfers permitted by Section 7.1;

(e) Investments (i) by Borrower in Subsidiaries not to exceed One Hundred Thousand Dollars ($100,000.00) in the aggregate in any fiscal year and (ii) by Subsidiaries in other Subsidiaries not to exceed One Hundred Thousand Dollars ($100,000.00) in the aggregate in any fiscal year or in Borrower;

(f) Investments consisting of travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business;

(g) Investm ents (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business; and

(h) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (h) shall not apply to Investm ents of Borrower in any Subsidiary.

" **Permitted Liens** " are:

(a) Liens existing on the Effective Date which are shown on the Perfection Certificate or arising under this Agreement or the other Loan Documents;

(b) Liens for taxes, fees, assessments or other g overnment charges or levies, either (i) not due and payable or (ii) being contested in good faith and for which Borrower maintains adequate reserves on Borrower's Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder;

(c) purchase money Liens (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment securing no more than One Hundred Thousand Do llars ($100,000.00) in the aggregate amount outstanding, or (ii) existing on Equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment;

(d) Liens of carriers, warehousemen, suppliers, or other Perso ns that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed One Hundred Thousand Dollars ($100,000.00) and which are not delinquent o r remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens to secure payment of workers' compe nsation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(f) Liens incurred in the extension, renewal or refinancing of the Indebtedness sec ured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(g) leases or subleases of real proper ty granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting Bank a security interest therein;

(h) non-exclusive license of Intellectual Property granted to third parties in the ordinary course of business, and licenses of Intellectual Property that could not result in a legal transfer of title of the licensed property that may be exclusive in res pects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States; and

(i) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 8.4 and 8.7.

" **Person** " is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

" **Prime Rate** " is the rate of interest per annum from time to time published in the money rates section of The Wall Street Journal or any successor publication thereto as the "prime rate" then in effect; provided that, in the event such rate of interest is less than zero, such rate shall be deemed to be zero for purposes of this Agreement; and provided further that if such rate of interest, as set forth from time to time in the money rates section of The Wall Street Journal, becomes unavailable for any reason as determined by Bank, the "Prime Rate" shall mean the rate of interest per annum announced by Bank as its prime rate in effect at its principal office in the State of California (such Bank announced Prime Rate not being intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to debtors); provided that, in the event such rate of interest is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

" **Registered Organization** " is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

" **Requirement of Law** " is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or binding 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.

" **Reserves** " means, as of any date of determination, such amounts as Bank may from time to time establish and revise in its good faith business judgment, reducing the amount of Advances and other financial accommodations which would otherwise be available to Borrower (a) to reflect events, conditions, contingencies or risks which, as determined by Bank in its good faith business judgment, do or may adversely affect (i) the Collateral or any other property which is security for the Obligations or its value (including without limitation any increase in

delinquencies of Accounts), (ii) the assets, business or prospects of Borrower or any Guarantor, or (iii) the security interests and other rights of Bank in the Collateral (includ ing the enforceability, perfection and priority thereof); or (b) to reflect Bank's reasonable belief that any collateral report or financial information furnished by or on behalf of Borrower or any Guarantor to Bank is or may have been incomplete, inaccura te or misleading in any material respect; or (c) in respect of any state of facts which Bank determines constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.

" **Responsible Officer** " is any of the Chief Executive Officer, President, Chief Financial Officer and Controller of Borrower.

" **Restricted License** " is any material license or other agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with Bank's right to sell any Collateral.

" **Revolving Line** " is an aggregate principal amount equal to Fifteen Million Dollars ($15,000,000.00).

" **Revolving Line Maturity Date** " is March 13, 2022.

" **SEC** " shall mean the Securities and Exchange Commission, any successor thereto, and any analogous Governmental Authority.

" **Securities Account** " is any " **securities account** " as defined in the Code with such additions to such term as may hereafter be made.

" **Streamline Threshold** " is defined in the definition of Streamline Period.

" **Streamline Period** " is, on and after the Effective Date, provided no Event of Default has occurred and is continuing, the period (a) commencing on the first day of the month following the day that Borrower provides to Bank a written report that Borrower has, for each consecutive day in the immediately three (3) preceding months achieved an Adjusted Quick Ratio, as determined by Bank in its discretion, in an amount at all times greater than or equal to 1.50 to 1.00 (the "Streamline Threshold"); and (b) terminating on the earlier to occur of (i) the occurrence of an Event of Default, and (ii) the first day thereafter in which Borrower fails to maintain the Streamline Threshold, as determined by Bank in its discretion. Upon the termination of a Streamline Period, Borrower must maintain the Streamline Threshold each consecutive day for three (3) consecutive months as determined by Bank in its discretion, prior to entering into a subsequent Streamline Period. Borrower shall give Bank prior written notice of Borrower's election to enter into any such Streamline Period, and each such Streamline Period shall commence on the first day of the monthly period following the date Bank determines, in its reasonable discretion, that the Streamline Threshold has been achieved.

" **Subordinated Debt** " is indebtedness incurred by Borrower subordinated to all of Borrower's now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank.

" **Subsidiary** " is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of Borrower or Guarantor.

" **Term Loan** " is defined in Section 2.3(a) of this Agreement.

" **Term Loan Maturity Date** " March 1, 2020.

“ **Term Loan Prepayment Fee** ” means a fee due upon prepayment (whether voluntary or otherwise) of the Term Loan equal to (i) two percent (2.00%) of the outstanding principal balance of the Term Loan if such prepaym ent occurs prior to the second anniversary of the Funding Date thereof, and (ii) one percent (1.00%) of the outstanding principal balance of the Term Loan if such prepayment occurs on the second anniversary of the Funding Date or at any time thereafter.

“ **Total Liabilities** ” is on any day, obligations that should, under GAAP, be classified as liabilities on Borrower’s consolidated balance sheet, including all Indebtedness.

“ **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.

“ **Warrant** ” is that certain Warrant to Purchase Stock dated as of Funding Date of the Term Loan between Borrower and Bank, in substantially the form attached hereto as Exhibit F , as amended, modified, supplemented and/or restated from time to time.

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IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

SIENTRA, INC.

By /s/ Patrick F. Williams

Name: Patrick F. Williams

Title: Chief Financial Officer

BANK:

SILICON VALLEY BANK

By /s/ Brett Maver

Name: Brett Maver

Title: Director

EXHIBIT A - COLLATERAL DESCRIPTION

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include any Intellectual Property; provided , however , the Collateral shall include all Accounts and all proceeds of Intellectual Property. If a judicial authority (including a U.S. Bankruptcy Court) would hold that a security interest in the underlying Intellectual Property is necessary to have a security interest in such Accounts and such property that are proceeds of Intellectual Property, then the Collateral shall automatically, and effective as of the Effective Date, include the Intellectual Property to the extent necessary to permit perfection of Bank's security interest in such Accounts and such other property of Borrower that are proceeds of the Intellectual Property.

Pursuant to the terms of a certain negative pledge arrangement with Bank, Borrower has agreed not to encumber any of its Intellectual Property without Bank's prior written consent.

EXHBIT F

FORM OF WARRANT

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

WARRANT TO PURCHASE COMMON STOCK

Company: SIENTRA, INC.
Number of Shares of Common Stock: [$87,500/Warrant Price]
Warrant Price: $____ per share [average trailing 5 day Nasdaq Closing Price prior to the Funding Date of the Term Loan]
Issue Date: [Funding Date of the Term Loan]
Expiration Date: [5 years after Funding Date of the Term Loan] See also Section 5.1(b).
Credit Facility: This Warrant to Purchase Common Stock (" **Warrant** ") is issued in connection with that certain Loan and Security Agreemen between Silicon Valley Bank and the Company dated as of March __, 2017 (the " **Loan Agreement** ").

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, SILICON VALLEY BANK (together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, " **Holder** ") is entitled to purchase the number of fully paid and non-assessable shares (the " **Shares** ") of the above-stated common stock (the " **Common Stock** ") of the above-named company (the " **Company** ") at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant. Reference is made to Section 5.4 of this Warrant whereby Silicon Valley Bank shall transfer this Warrant to its parent company, SVB Financial Group.

SECTION 1. EXERCISE.

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

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

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

where:

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

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

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

B = the Warrant Price.

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

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

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

1.6 Treatment of Warrant Upon Acquisition of Company .

(a) Acquisition . For the purpose of this Warrant, " **Acquisition** " means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization; or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition . In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a " **Cash/Public Acquisition** "), and the fair market value of one Share as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date immediately prior to such Cash/Public Acquisition, and Holder has not exercised this Warrant pursuant to Section 1.1 above as to all Shares, then this Warrant shall automatically be deemed to be Cashless Exercised pursuant to Section 1.2 above as to all Shares effective immediately prior to and contingent upon the consummation of a Cash/Public Acquisition. In connection with such Cashless Exercise, Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon exercise. In the event of a Cash/Public Acquisition where the fair market value of one Share as determined in accordance with Section 1.3

above would be less than the Warrant Price in effect immediately prior to such Cash/Public Acquisition, then this Warrant will expire immediately prior to the consummation of such Cash/Public Acquisition.

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

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

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

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

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

2.3 Intentionally Omitted .

2.4 Intentionally Omitted .

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

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

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

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

(a) All Shares which may be issued upon the exercise of this Warrant, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of securities as will be sufficient to permit the exercise in full of this Warrant.

(b) The Company's capitalization table previously provided to Holder is true and complete, in all material resp ects, as of the Issue Date.

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

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

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

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstandin g shares of the Common Stock; or

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

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

(1) in the case of the matters referred to in (a) and (b) above, at least seven (7) Bu siness Days prior written notice of the earlier to occur of the effective date thereof or the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Common Stock will be entitled thereto) or for determining rights to vote, if any; or

(2) in the case of the matters referred to in (c) and (d) above at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event and such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such event giving rise to the notice);

Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

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

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

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

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

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

4.6 No Voting Rights . Holder, as a Holder of this Warrant, will not have any voting rights until the exercise of this Warrant.

SECTION 5. MISCELLANEOUS.

5.1 Term and Automatic Conversion Upon Expiration .

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

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

reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

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

> THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE " **ACT** "), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE COMMON STOCK ISSUED BY THE ISSUER TO SILICON VALLEY BANK DATED MARCH __, 2017, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

5.3 Compliance with Securities Laws on Transfer . This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company).

5.4 Transfer Procedure . After receipt by Silicon Valley Bank of the executed Warrant, Silicon Valley Bank will transfer all of this Warrant to its parent company, SVB Financial Group. By its acceptance of this Warrant, SVB Financial Group hereby makes to the Company each of the representations and warranties set forth in Section 4 hereof and agrees to be bound by all of the terms and conditions of this Warrant as if the original Holder hereof. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable); and provided further, that any subsequent transferee other than SVB Financial Group shall agree in writing with the Company to be bound by all of the terms and conditions of this Warrant.

5.5 Notices . All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail and such receipt is confirmed in writing by the recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

SVB Financial Group
Attn: Treasury Department
3003 Tasman Drive, HC 215
Santa Clara, CA 95054
Telephone: (408) 654-7400
Facsimile: (408) 988-8317
Email address: derivatives@svb.com

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

SIENTRA, INC.
Attn: Patrick Williams, Chief Financial Officer
420 South Fairview Avenue, Suite 200
Santa Barbara, CA 93117
Telephone: (619) 675-1047
Email: patrick.williams@sientra.com

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

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

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

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

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

5.11 Business Days. " **Business Day** " is any day that is not a Saturday, Sunday or a day on which Silicon Valley Bank is closed.

[Remainder of page left blank intentionally]
[Signature page follows]

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

"COMPANY"

SIENTRA, INC.

By: _____

Name: _____
(Print)
Title:

"HOLDER"

SILICON VALLEY BANK

By: _____

Name: _____
(Print)
Title:

Exhibit 10.3

SIENTRA, INC.

AMENDMENT TO

EMPLOYMENT AGREEMENT FOR JEFFREY M. NUGENT

This Amendment to Employment Agreement (this " **Amendment** "), is made and entered into on May 8, 2017, by and between Sientra, Inc., a Delaware corporation (the " **Company** ") and Jeffrey M. Nugent (the " **Executive** ").

RECITALS

A. The Company and Executive entered into that certain Employment Agreement, effective November 12, 2015 (the " **Employment Agreement** "). Unless otherwise defined herein, all capitalized terms shall have the meanings assigned to them in the Employment Agreement.

B. On April 12, 2017, the Board of Directors of the Company authorized the approval of certain amendments to the Employment Agreement.

C. The Company and Executive desire to amend the Employment Agreement as set forth herein with all terms to be effective as of January 1, 2017 (the " **Amendment Effective Date** ").

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, the Executive and the Company agree as follows:

1. Section 2.1 of the Employment Agreement is hereby deleted in its entirety and the following shall be inserted in lieu thereof:

2.1 Salary. As of the Amendment Effective Date, Executive's current base salary shall be payable at the annualized rate of $636,000.00 per year (the " **Base Salary** "), subject to standard payroll deductions and withholdings and payable in accordance with the Company's regular payroll schedule. The Base Salary may be increased in the sole and absolute discretion of the Board but may not be decreased during the Employment Period. In the event of any increase as permitted by this Section 2, the Base Salary for all purposes under this Agreement shall be the increased amount in effect from time to time.

2. Section 3 of the Employment Agreement is amended to delete the definition of "Relocation Expenses" in its entirety and following shall be inserted in lieu thereof:

"Relocation Expenses" shall mean (i) travel, lodging, and meal expenses for Executive and his spouse and children for house hunting trips or relocation to Executive's new principal residence, (ii) expenses for moving the household goods, personal effects, and automobiles of Executive and his spouse and children from Executive's current principal residence to his residence located near the Company, and (iii) brokerage commission expenses incurred by Executive in connection with the sale of Executive's current principal residence, provided the expenses described in clause (i), (ii) or (iii) are directly related to the establishment of Executive's residence located near the Company in connection with Executive's employment with the Company, and such Relocation Expenses shall be reimbursed only if incurred by Executive not later than December 31, 2017.

3. Except as specifically provided for in this Amendment, the terms of the Employment Agreement shall be unmodified and shall remain in full force and effect. In the event that any provision of this Amendment and the Employment Agreement conflict, the provision of this Amendment shall govern.

4. This Amendment will be effective upon the Amendment Effective Date.

5. This Amendment may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument. This Amendment shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and to be performed wholly within such State, and without regard to the conflicts of laws principles thereof. For the avoidance of doubt, the Amendment shall become part of the Employment Agreement and therefore subject to its terms.

[SIGNATURES APPEAR ON NEXT PAGE]

In Witness Whereof , the parties have executed this Amendment to Employment Agreement as of the date first set forth above.

Sientra, Inc.

By: /s/ Nicholas J. Simon
Name: Nicholas J. Simon
On behalf of the Board of Directors

Executive

/s/ Jeffrey M. Nugent
Name: Jeffrey M. Nugent

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Nugent, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sientra, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. 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

d. 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: May 9, 2017

/s/ Jeffrey Nugent

Jeffrey Nugent

Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick F. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sientra, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. 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

d. 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: May 9, 2017

/s/ Patrick F. Williams

Patrick F. Williams

Chief Financial Officer

Exhibit 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

the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Jeffrey Nugent, Chief Executive Officer of Sientra, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2017, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2017

/s/ JEFFREY NUGENT

Jeffrey Nugent
Chief Executive Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Sientra, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 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

the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Patrick F. Williams, Chief Financial Officer of Sientra, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2017, to which this Certification is attached as Exhibit 32.2 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2017

/s/ PATRICK F. WILLIAMS

Patrick F. Williams

Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Sientra, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.