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

FORM 8-K/A

AMENDMENT NO. 1 TO
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): July 6, 2016

Merit Medical Systems, Inc.
(Exact name of registrant as specified in its charter)

Utah	**0-18592**	**87-0447695**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1600 West Merit Parkway	
South Jordan, Utah	**84095**
(Address of principal executive offices)	(Zip Code)

(801) 253-1600
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXPLANATORY NOTE

On July 6, 2016, Merit Medical Systems, Inc. (“Merit”) filed with the Securities and Exchange Commission (“SEC”) a Current Report on Form 8-K (the “Initial Report”), in part for the purpose of announcing the completion of Merit's acquisition of all of the issued and outstanding shares of DFINE, Inc. (“DFINE”), as contemplated by the Agreement and Plan of Merger by and among Merit, MMS Transaction Co., a wholly-owned subsidiary of Merit, DFINE, certain preferred stockholders of DFINE and Shareholder Representative Services LLC as a stockholder representative (the “Acquisition”). The purpose of this Amendment No. 1 to the Initial Report (this "Amendment") is to provide the historical financial statements of DFINE and the unaudited pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K, respectively.

This Amendment should be read in connection with the Initial Report, which provides a more complete description of the acquisition.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired

The audited consolidated financial statements of DFINE as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, together with the related Independent Auditor's Report are included as Exhibit 99.3 and are incorporated herein by reference.

The unaudited consolidated financial statements of DFINE as of June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016 and 2015, and the related notes thereto are included as Exhibit 99.4 and are incorporated herein by reference.

(b) Pro Forma Financial Information

The following unaudited pro forma combined condensed financial information giving effect to the acquisition is included as Exhibit 99.5 and is incorporated herein by reference:

i. unaudited pro forma combined condensed balance sheet as of June 30, 2016;

ii. unaudited pro forma combined condensed statement of operations for the year ended December 31, 2015;

iii. unaudited pro forma combined condensed statement of operations for the six months ended June 30, 2016; and

iv. notes to unaudited pro forma combined condensed financial information.

The unaudited pro forma combined condensed financial information included as Exhibit 99.5 to this Amendment has been prepared for the purpose of illustrating the pro forma effects of the Acquisition. All pro forma information set forth in this Amendment has been prepared for informational purposes only and does not purport to be indicative of the results that would have occurred if the Acquisition actually occurred on the date indicated or the results which may occur in the future.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants (filed herewith)
99.1	Press release issued by Merit Medical Systems, Inc., dated July 6, 2016, entitled “Merit Medical Acquires DFINE, Inc.” (previously filed with the Initial Report)
99.2	Management presentation of Merit Medical Systems, Inc., dated July 6, 2016, entitled “Acquisition of DFINE Targeted Vertebral Solutions.” (previously filed with the Initial Report)
99.3	Audited consolidated financial statements of DFINE, Inc. as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, together with the related Independent Auditor's Report (filed herewith)
99.4	Unaudited consolidated financial statements of DFINE, Inc. as of June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016 and 2015, and the related notes thereto (filed herewith)
99.5	Unaudited pro forma combined condensed financial information as of and for the six months ended June 30, 2016 and for the year ended December 31, 2015 (filed herewith)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MERIT MEDICAL SYSTEMS, INC.

Date: September 21, 2016

By: /s/ Brian G. Lloyd
Brian G. Lloyd
Chief Legal Officer and Corporate Secretary

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-193059) and Form S-8 (No. 333-58162, No. 333-58112, No. 333-129267, No. 333-135614, No. 333-163104, No. 333-206296 and No. 333-206297) of Merit Medical Systems, Inc. of our report dated September 21, 2016 relating to the financial statements of DFINE, Inc., which appears in this Current Report on Form 8-K/A of Merit Medical Systems, Inc.

/s/ PricewaterhouseCoopers LLP
San Jose, California
September 21, 2016

Exhibit 99.3

DFINE, Inc.

Consolidated Financial Statements
December 31, 2015 and 2014

DFINE, Inc.
Index
December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors and Stockholders of
DFINE, Inc.

We have audited the accompanying consolidated financial statements of DFINE, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive loss, of convertible preferred stock and stockholders' equity (deficit) and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DFINE, Inc. and its subsidiary as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ PricewaterhouseCoopers LLP
San Jose, California
September 21, 2016

DFINE, Inc.
Consolidated Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 10,815,675	$ 7,457,533
Accounts receivable, net	4,087,053	4,387,357
Inventories	4,550,146	3,033,229
Prepaid expenses and other current assets	374,589	645,408
Total current assets	19,827,463	15,523,527
Restricted cash	100,696	100,626
Property and equipment, net	1,921,909	2,676,385
Other assets	173,081	362,090
Total assets	$ 22,023,149	$ 18,662,628
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities		
Accounts payable	$ 1,533,969	$ 937,908
Accrued liabilities	3,841,446	4,570,439
Litigation settlement obligation	3,310,000	—
Total current liabilities	8,685,415	5,508,347
Long term debt	24,897,207	10,908,126
Convertible preferred stock warrant liability	1,350,170	2,297,440
Other liabilities	85,061	477,804
Total liabilities	35,017,853	19,191,717
Commitments and contingencies (Note 5)		
Convertible preferred stock, par value $0.001 - 258,103,000 shares authorized at December 31, 2015, and 255,603,000 shares authorized at December 31, 2014, 216,092,280 shares issued and outstanding at December 31, 2015 and 2014, respectively (Aggregate liquidation value of $116,376,360 at December 31, 2015)	132,338,744	132,338,744
Stockholders' deficit		
Common stock, $0.001 par value - 450,000,000 shares authorized, 32,498,877 and 29,899,470 shares issued and outstanding at December 31, 2015 and 2014, respectively	26,229	20,095
Accumulated other comprehensive loss	(441,097)	(185,382)
Additional paid-in capital	4,358,647	4,047,250
Accumulated deficit	(149,277,227)	(136,749,796)
Total stockholders' deficit	(145,333,448)	(132,867,833)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 22,023,149	$ 18,662,628

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

DFINE, Inc.
Consolidated Statements of Comprehensive Loss
December 31, 2015 and 2014

	2015	2014
Revenues	$ 33,391,895	$ 34,943,003
Cost of revenues	8,422,180	9,831,253
Gross profit	24,969,715	25,111,750
Operating expenses		
Sales and marketing	23,578,169	27,900,189
Research and development	5,096,024	4,365,440
General and administrative	4,875,998	4,401,584
Litigation settlement	3,310,000	—
Total operating expenses	36,860,191	36,667,213
Loss from operations	(11,890,476)	(11,555,463)
Interest income	5,086	7,257
Interest expense	(1,737,191)	(1,249,967)
Other income (expense), net	1,095,150	851,037
Net Loss	(12,527,431)	(11,947,136)
Comprehensive loss		
Foreign currency translation adjustment	(255,715)	(285,123)
Comprehensive loss	$ (12,783,146)	$(12,232,259)

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

DFINE, Inc.
Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
December 31, 2015 and 2014

	Convertible Preferred Stock		Common Stock		Accumulated Other Comprehensive Income	Additional Paid-In	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	(Loss)	Capital	Deficit	(Deficit)
Balances at December 31, 2013	216,092,280	$132,338,744	26,210,820	$ 11,988	$ 99,741	$ 3,621,792	$ (124,802,660)	$(121,069,139)
Exercise of common stock options, dollar amounts net of unvested early exercised stock options	—	—	3,688,650	3,689	—	122,494	—	126,183
Vested portion of early exercised options	—	—	—	4,418	—	97,202	—	101,620
Stock-based compensation expense	—	—	—	—	—	205,762	—	205,762
Foreign currency translation adjustment	—	—	—	—	(285,123)	—	—	(285,123)
Net loss	—	—	—	—	—	—	(11,947,136)	(11,947,136)
Balances at December 31, 2014	216,092,280	132,338,744	29,899,470	20,095	(185,382)	4,047,250	(136,749,796)	(132,867,833)
Exercise of common stock options, dollar amounts net of unvested early exercised stock options	—	—	2,599,407	2,599	—	85,236	—	87,835
Vested portion of early exercised options	—	—	—	3,535	—	77,762	—	81,297
Stock-based compensation expense	—	—	—	—	—	148,399	—	148,399
Foreign currency translation adjustment	—	—	—	—	(255,715)	—	—	(255,715)
Net loss	—	—	—	—	—	—	(12,527,431)	(12,527,431)
Balances at December 31, 2015	216,092,280	$132,338,744	32,498,877	$ 26,229	$ (441,097)	$ 4,358,647	$ (149,277,227)	$(145,333,448)

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

DFINE, Inc.
Consolidated Statements of Cash Flows
December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net loss	$ (12,527,431)	$(11,947,136)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1,325,649	1,538,366
Stock-based compensation expense	148,399	205,762
Change in fair value of warrant liability	(1,087,794)	(962,822)
Amortization of debt discount	129,605	44,252
Provision for doubtful accounts	1,590	43,774
Provision for excess and obsolete inventories	169,893	136,571
Changes in assets and liabilities		
Prepaid expenses and other current assets	270,819	63,979
Accounts receivable	298,714	(24,804)
Inventories	(1,443,677)	(276,289)
Other assets	80,632	(55,844)
Accounts payable	508,906	(889,602)
Accrued liabilities and other	(1,040,440)	627,980
Litigation settlement obligation	3,310,000	—
Net cash used in operating activities	(9,855,135)	(11,495,813)
Cash flows used in investing activities		
Change in restricted cash	(70)	(135)
Purchase of property and equipment	(618,774)	(458,790)
Net cash used in investing activities	(618,844)	(458,925)
Cash flows from financing activities		
Proceeds from issuance of common stock	87,836	227,803
Repayment of long term debt	(16,000,000)	—
Proceeds from long term debt	30,000,000	—
Net cash provided by financing activities	14,087,836	227,803
Foreign currency translation adjustment	(255,715)	(285,123)
Net increase (decrease) in cash and cash equivalents	3,358,142	(12,012,058)
Cash and cash equivalents at beginning of year	7,457,533	19,469,591
Cash and cash equivalents at end of year	$ 10,815,675	$ 7,457,533
Supplementary disclosure of cash flow information		
Cash paid for interest	$ 1,938,784	$ 882,247
Supplementary disclosure of noncash items		
Issuance of warrants to purchase Series F preferred stock	140,524	—
Acquisition of property and equipment included in accounts payable	87,155	—

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

1. The Company

DFINE, Inc. (the "Company") was incorporated in the state of Delaware on April 8, 2004. The Company is a medical device company that develops and markets therapeutic devices that treat vertebral compression fractures and other disorders of the spine in a minimally invasive manner to improve quality of life.

The Company has incurred operating losses and negative cash flows from operations since its inception. At December 31, 2015, the Company had an accumulated deficit of $149.3 million. The Company has financed operations to date primarily through private placement of equity securities and debt agreements. The Company expects its operating losses and negative cash flows to continue into the foreseeable future as it continues to commercialize its products. The Company's management plans to expand commercial activities to grow revenues, manage expenses and obtain additional funds through the issuance of debt. The Company may need to obtain additional financing and there is no assurance that the Company will be successful in obtaining additional financing on favorable terms or at all. Failure to successfully commercialize its products, manage discretionary expenditures or raise additional financing, as required, may adversely impact the Company's ability to achieve its intended business objectives. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not contain any adjustments that might result from the outcome of this uncertainty.

2. Summary of Significant Accounting Policies

Basis of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, DFINE Europe GmbH. All intercompany balances and transactions have been eliminated in consolidation.

Foreign Currency Translation
The foreign subsidiary's functional currency is its local currency. The gains and losses resulting from translating the foreign subsidiary's financial statements into U.S. dollars have been reported in accumulated other comprehensive loss within stockholders' deficit. All asset and liability accounts are translated at current period end exchange rates. Revenues and expenses are translated at average exchange rates in effect during the period. Foreign currency transaction gains and losses are included in the statements of comprehensive loss and have not been significant for the years presented.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments
For financial instruments consisting of cash equivalents, accounts receivable, accounts payable and accrued liabilities included in the Company's financial statements, the carrying amounts approximate fair value due to their short maturities. Based on the borrowing rates available to the Company for loans with similar terms and maturities, the carrying value of the borrowings approximates their fair value (Level 2 within the fair value hierarchy). The carrying amounts of the convertible preferred stock warrant liabilities represent their estimated fair value (Level 3 within the fair value hierarchy).

Concentration of Credit Risks and Other Risks and Uncertainties
The Company’s cash and cash equivalents are maintained with four financial institutions. Deposits in those institutions may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with reputable financial institutions and therefore bear minimal credit risk.

The Company is subject to risks common to companies in the medical device industry including, but not limited to, new technological innovations, dependence on key personnel, dependence on key suppliers, protection of proprietary technology, product liability and compliance with government regulations. To sustain profitable operations, the Company must successfully design, develop, manufacture and market its products. There can be no assurance that current products will continue to be accepted in the marketplace, nor can there be any assurance that any future products can be developed or manufactured at an acceptable cost and with appropriate performance characteristics, or that such products will be successfully marketed, if at all. These factors could have a material adverse effect on the Company’s future financial results, financial position and cash flows.

The Company is dependent on two vendors for the manufacture and supply of the Company’s products and any delay or failure to adequately supply the product by the vendors could have a material adverse impact on the Company.

Future products developed by the Company may require approvals or clearances from the U.S. Food and Drug Administration or other international regulatory agencies prior to commercial sales. There can be no assurance that the Company’s products will continue to meet the necessary regulatory requirements. If the Company were to be denied or was delayed in receiving such approvals or clearances, it may have a materially adverse impact on the Company.

Cash and Cash Equivalents
The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash
At December 31, 2015 and 2014, cash of $100,696 and $100,626, respectively, was restricted from withdrawal and held by financial institutions in the form of certificates of deposit. These certificates of deposit serve as the security deposit on the Company's facility lease.

Accounts Receivable
Accounts receivable are typically unsecured and represent amounts due from customers. The Company evaluates customer credit and maintains reserves for potential credit losses. The allowance for uncollectible accounts receivable is based on the Company’s historical bad debt experience and on management’s evaluation of the Company’s ability to collect individual outstanding balances. The allowance for doubtful accounts was $219,316 and $234,902, respectively, at December 31, 2015 and 2014.

Inventories
Inventories are stated at the lower of cost (determined using average cost), or market (estimated net realizable value). As of December 31, 2015 and 2014, the Company’s inventories consisted of parts and medical equipment. The Company periodically assesses the recoverability of all inventories, including raw materials and finished goods, to determine whether adjustments for impairment are required. Inventory that is obsolete or in excess of forecasted usage is written down to its estimated net realizable value based on assumptions about future demand and market

conditions. Inventory write-downs are charged to cost of revenues and establish a new cost basis for the inventory.

Provisions for excess and obsolete inventory were $169,893 and $136,571 in the years ended December 31, 2015 and 2014, respectively.

Property and Equipment
Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally between three and seven years, or the lease term of the respective assets, whichever is lower. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed, the cost and accumulated depreciation and amortization are removed from the balance sheet and any resulting gain or loss is reflected in operations in the period realized.

Accounting for Long-lived Assets
The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to the future net cash flows which the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future net cash flows arising from the asset. There have been no impairments of long-lived assets as of December 31, 2015.

Revenue Recognition
The company recognizes revenue in accordance with ASC 605, *Revenue Recognition*. The Company earns revenue from the sale of its products to distributors and hospitals. Revenue is recognized when the title and risk of ownership has been transferred, provided that persuasive evidence of an arrangement exists, the price is fixed and determinable, remaining obligations are insignificant and collectability is reasonably assured. Revenue is recorded net of customer and distributor discounts.

The company sells its products primarily to hospitals in the United States and European Union primarily through direct sales representatives. Revenue is recorded on sales to hospitals, net of discounts, upon the receipt of a customer purchase order, delivery of the product and when collection of the receivable is probable, at time of sale. Commissions paid to sales representatives are recorded as a sales and marketing expense. Sales to distributors are recorded when title and risk of loss transfer upon shipment, provided that all other revenue recognition criteria are met. The Company provides no price protection or stock rotation rights. All customers have a warranty for product defects in materials or workmanship but warranty expense has historically been insignificant and the Company does not provide a general right of return on the sale of its products.

Shipping Costs
Shipping costs charged to customers are included in revenues and the associated expense is included in cost of revenues in the consolidated statements of comprehensive loss.

Research and Development
The Company's research and development costs are expenses as incurred. Research and development costs consist of payroll and personnel expenses, including stock-based compensation, laboratory supplies and consulting costs, as well as allocations of related facilities costs.

Advertising Costs
Advertising costs, included in sales and marketing expenses, are expensed as incurred. Advertising costs were $18,456 and $130,608 for the years ended December 31, 2015 and 2014, respectively.

Warranty Costs
The Company offers a limited warranty on its products. Warranty expense has been insignificant for the years ended December 31, 2015 and 2014.

Income Taxes
The Company accounts for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax bases of the Company's assets and liabilities and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized.

Fair Value of Financial Instruments
ASC 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value, and requires disclosure about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active;

- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Cash equivalents consisting of money market funds, commercial paper and U.S. Government Agency Securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

The convertible preferred stock warrant liability is classified within Level 3 of the fair value hierarchy because warrants are valued using the Black-Scholes pricing model, which uses unobservable inputs (see Note 6).

As of December 31, 2015, financial assets and liabilities are measured and recognized at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy as described above and as follows:

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Convertible preferred stock warrant liability	—	—	1,350,170	1,350,170

The change in fair value of the convertible preferred stock warrant liability is summarized below:

Fair value at December 31, 2013	$ 3,260,262
Decrease in fair value recorded in other income (expense), net	(962,822)
Fair value at December 31, 2014	2,297,440
Issuance of warrants in connection with loan agreement	140,524
Decrease in fair value recorded in other income (expense), net	(1,087,794)
Fair value at December 31, 2015	$ 1,350,170

Stock-Based Compensation

The Company accounts for stock based compensation in accordance with the provisions of ASC 718 *Compensation-Stock Compensation*, which requires the measurement and recognition of compensation expense for all share based payment awards, including stock options using a fair-value based method. ASC 718 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The fair value of the option grants is expensed on a straight-line basis over the requisite service period.

The Company accounts for equity instruments issued to nonemployees in accordance with ASC 505-50 *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. Equity instruments issued to nonemployees are recorded at their fair value on the measurement date and are subject to periodic adjustment as the underlying equity instruments vest.

Convertible Preferred Stock Warrants

Freestanding warrants and other similar instruments related to shares that are accounted for in accordance with ASC 480 *Distinguishing Liabilities from Equity*. The freestanding warrants are exercisable into the Company's convertible preferred stock and are classified as liabilities on the balance sheet. The warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of other income or expense. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants or the completion of an initial public offering, at which time all unexercised warrants will be converted into warrants to purchase common stock.

Comprehensive Loss

Comprehensive loss represents all changes in stockholders' equity except those resulting from investments or contributions by stockholders. The Company's comprehensive loss in comprised of its net loss and changes in foreign currency translation adjustments.

Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers”. The amendment in this ASU provides guidance on the revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The core principle of this update provides guidance to identify the performance obligations under the contract(s) with a customer and how to allocate the transaction price to the performance obligations in the contract. It further provides guidance to recognize revenue when (or as) the entity satisfies a performance obligation. This ASU will be effective for the Company for annual periods beginning in 2018 and for interim periods beginning in 2019. The FASB has issued several updates to the standard which i) clarify the application of the principal versus agent guidance (ASU 2016-08); ii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10) and iii) narrow scope improvements and practical expedients (ASU 2016-12). The Company is assessing the impact of this guidance and does not believe the adoption of this guidance will have a material impact to the Company's consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements-Going Concern”, with new guidance to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. The new guidance is effective for fiscal years beginning after December 15, 2016 with early application permitted. The Company is assessing the impact of this guidance and does not believe the adoption of this guidance will have a material impact to the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC 842)", which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASC 842 supersedes the previous leases standard, ASC 840 Leases. The standard is effective on January 1, 2019, with early adoption permitted. The Company is in the process of evaluating the impact of this new guidance.

In March 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". This update simplifies the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for private entities for annual periods beginning after December 15, 2017. The Company is in the process of evaluating the impact of this new guidance.

3. Balance Sheet Components

Inventories

	December 31, 2015	December 31, 2014
Finished goods	$ 2,504,613	$ 1,310,432
Work-in-process	1,928,842	1,270,592
Raw materials	116,691	452,205
	$ 4,550,146	$ 3,033,229

Prepaid Expenses and Other Current Assets

	December 31, 2015	December 31, 2014
Prepaid insurance	$ 52,625	$ 63,945
Prepaid marketing expense	40,511	127,340
Prepaid rent	77,833	72,569
Other	203,620	381,554
	$ 374,589	$ 645,408

Property and Equipment, Net

	December 31, 2015	December 31, 2014
Machinery, equipment and tools	$ 3,224,789	$ 2,802,185
Computer equipment and software	2,674,341	2,706,073
Furniture and fixtures	411,741	403,290
Controller equipment	2,762,827	2,698,127
Leasehold improvements	221,042	360,474
Construction-in-progress	928,036	1,006,311
	10,222,776	9,976,460
Less: Accumulated depreciation and amortization	(8,300,867)	(7,300,075)
	$ 1,921,909	$ 2,676,385

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was $1,325,649 and $1,538,366, respectively.

Accrued Liabilities

	December 31, 2015	December 31, 2014
Payroll and related expenses	$ 2,143,935	$ 2,830,308
Professional fees	560,312	306,941
Sales tax payable	59,236	39,884
Other	1,077,963	1,393,306
	$ 3,841,446	$ 4,570,439

4. Debt

On December 31, 2012, the Company entered into a four year financing arrangement with Silicon Valley Bank and Oxford Finance, LLC, which is comprised of an $11 million term loan and a $5 million revolving loan. The Company drew down the full term loan amount in three tranches of $5 million, $3 million and $3 million on December 31, 2012, May 3, 2013, and October 15, 2013, respectively. The loan agreement for each tranche provides for the Company to make interest-only payments at a stated rate of 7.98% per annum for 20 months starting on the date of each drawdown. Thereafter, the Company is obligated to pay monthly cash payments of principal and interest for a 30 month period with a balloon payment at loan maturity which is accreted as interest expense over the term of the loan. As of December 31, 2015, the Company had not drawn down any amount of the $5 million revolving loan.

On January 24, 2014, the Company entered into a Third Amendment to Loan and Security Agreement with Silicon Valley Bank and Oxford Finance, LLC. The amendment provided for two additional tranches of the term loan in amounts of $5 million and $2.5 million, respectively. The Company drew the first additional tranche of $5 million on March 31, 2015 at a rate of 8.01% per annum. The Company repaid the $16 million loan in December 2015.

On December 14, 2015, the Company refinanced its existing debt entering into a new five year financing agreement with Silicon Valley Bank and Oxford Finance, LLC. The new loan facility provides for $35 million in term loans, available for draw over three tranches, and a $5 million revolving loan, the utilization of which is based on a percentage of qualifying U.S. accounts receivables. On December 14, 2015, the Company drew down the first tranche of $25 million on the term loan, using a portion of the proceeds to repay the $16 million outstanding debt. The loan agreement provides for the Company to make interest-only payments at a stated rate of 7.98% per annum for 21 months starting on the date of first draw. Thereafter, the Company is obligated to pay monthly cash payments of principal and interest for a 36 month period with a 10% balloon payment at loan maturity which is accreted as interest expense over the term of the loan. The second tranche of $5 million may be drawn down within 30 days after the Company achieves trailing six month revenue of $20 million provided it’s before April 30, 2017 and there have been no events of default. Additionally, upon the second tranche draw, the interest only payment period may be extended from November 1, 2017 to November 1, 2018. The third tranche of $5 million may be drawn down within 30 days after the Company achieves trailing six month revenue of $22 million provided it’s before April 30, 2018 and there have been no events of default. As of December 31, 2015, the Company had only drawn the initial $25 million term loan tranche and had not drawn down any of the $5 million revolving loan.

Future minimum payments for long term debt as of December 31, 2015 are as follows:

Year Ending December 31,	
2016	$ 1,956,208
2017	2,022,708
2018	4,099,115
2019	13,890,035
2020	13,304,122
	35,272,188
Less: Amount representing interest	(10,272,188)
Less: Amount representing debt discount	(102,793)
Present value of minimum payments	24,897,207
Less: Long term debt current portion	—
Long term debt net of current portion	$ 24,897,207

In connection with each draw down under the term loan, the Company issued warrants to purchase an aggregate of 3,466,667 shares of Series F convertible preferred stock at $0.30 per share. The warrants were recorded on each respective issuance date at an aggregate fair value of $306,242 as a debt discount, which is amortized to interest expense over the term of the loan. Refer to Note 6 for more information on convertible preferred stock warrants.

Under the terms of the agreement, Silicon Valley Bank and Oxford Finance, LLC have a first priority in all of the Company's assets, except intellectual property. The Company also has to comply with certain covenants. The loan agreement contains customary representations and warranties, covenants, events of defaults and termination provisions. The affirmative covenants include, among other requirements, that the Company timely file taxes, provide financial statements on a timely basis, maintain good standing and government compliance and maintain liability and other insurance. The negative covenants provide, among other requirements, that without the prior consent of the lender (subject to certain exceptions) the Company may not engage in certain business combinations or acquisitions, incur additional indebtedness, pay dividends on the Company's capital stock or make prohibited investments.

The agreement also requires that cash and cash equivalents held by DFINE Europe GmbH does not exceed $650,000 (or equivalent) at any time. For the year ended December 31, 2015, the Company received a waiver from Oxford Finance, LLC with respect to non-compliance with the covenant over timely delivery of the audited financial statements.

5. Commitments and Contingencies

On June 5, 2013, the Company, along with five other medical device companies, was named as a defendant in a patent infringement lawsuit by Orthophoenix, LLC. The Company reserves for costs relating to litigation and contingencies when a loss is probable and the amount can be reasonably estimated. As of December 31, 2015, the Company had accrued an estimated loss of $3,310,000 related to this litigation. The lawsuit was settled in April 2016 (see Note 10).

In May 2007, the Company leased office space in California under a noncancelable operating lease with escalating base rental, which was amended in May 2013 to extend the term of the lease through August 2016. The lease was subsequently extended to August 31, 2019 (see Note 10). In December 2008, the Company leased office space in Germany under a noncancelable operating lease with escalating base rental, based on changes in a consumer price index, which was amended in May 2013 to extend the term of the lease through December 2017.

Future minimum lease payments under the noncancelable operating leases as of December 31, 2015 are as follows:

Year Ending December 31,		
2016	$	466,741
2017		111,180
Total minimum lease payments	$	577,921

The Company recognizes rent expense on a straight-line basis over the lease term. Rent expense for the years ended December 31, 2015 and 2014 was $723,416 and $862,154, respectively.

Indemnification

The Company enters into indemnification provisions under its agreements with the other companies in the ordinary course of business, including business partners, contractors and parties performing its research and development. Pursuant to these arrangements, the Company indemnifies, hold harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party as a result of the Company's activities. The terms of these indemnification agreements are generally perpetual. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimate of fair value of these agreements is minimal. The Company maintains commercial general liability insurance and product liability insurance to offset certain of its potential liabilities under these indemnification provisions.

Contingencies

The Company is subject to a wide variety of laws and regulations. Certain claims, suits and complaints in the ordinary course of business are pending or may arise. While there can be no assurance as to the ultimate outcome of any litigation involving the Company, the Company does not believe any pending legal proceedings will result in a judgment or settlement that would have a material adverse effect on the Company's financial position, results of operations or cash flows, except as disclosed above.

6. Convertible Preferred Stock

The Company’s Certificate of Incorporation, as amended, authorizes the Company to issue shares of preferred stock with a par value of $0.001 per share.

Authorized and outstanding convertible preferred stock and its principal terms are as follows at December 31, 2015:

	2015			
	Shares		Liquidation	Proceeds Net of Issuance
Series	**Authorized**	**Outstanding**	**Amount**	**Costs**
A	3,570,000	3,569,758	$ 1,326,512	$ 2,135,584
B	2,360,000	2,359,797	4,334,676	6,912,482
C	2,259,000	2,218,521	5,784,513	9,244,784
D	7,406,000	7,405,374	21,326,575	34,217,429
E	42,308,000	42,307,229	36,134,604	35,915,445
F	200,200,000	158,231,601	47,469,480	47,100,679
	258,103,000	216,092,280	$ 116,376,360	$ 135,526,403

Proceeds from issuance of Series F convertible preferred stock excludes $3,187,659 of issuance cost related to Series F preferred stock warrants.

Authorized and outstanding convertible preferred stock and its principal terms are as follows at December 31, 2014:

	2014			
	Shares		Liquidation	Proceeds Net of Issuance
Series	**Authorized**	**Outstanding**	**Amount**	**Costs**
A	3,570,000	3,569,758	$ 1,326,512	$ 2,135,584
B	2,360,000	2,359,797	4,334,676	6,912,482
C	2,259,000	2,218,521	5,784,513	9,244,784
D	7,406,000	7,405,374	21,326,575	34,217,429
E	42,308,000	42,307,229	36,134,604	35,915,445
F	197,700,000	158,231,601	47,469,480	47,100,679
	255,603,000	216,092,280	$ 116,376,360	$ 135,526,403

Proceeds from issuance of Series F convertible preferred stock excludes $3,187,659 of issuance cost related to Series F preferred stock warrants.

The rights, preferences and privileges of the Series A, B, C and D (collectively known as "Junior Preferred Stock"), E and F convertible preferred stock are as follows:

Dividends

The holders of the outstanding shares of Junior Preferred Stock, Series E Preferred Stock, and Series F Preferred Stock are entitled to receive, when and if declared by the Board of Directors, a noncumulative dividend at the annual rate of $0.3715972 per share for Series A Preferred Stock, $1.8368852 per share for Series B Preferred Stock, $2.6073734 per share for Series C Preferred Stock, $2.8798782 per share for Series D Preferred Stock, $0.85410 per share for Series E Preferred Stock, and $0.30 per share for Series F Preferred Stock.

The holders of outstanding shares of Series F Preferred Stock shall be entitled to receive their dividends in preference and priority to any declaration or payment on the Series E Preferred Stock, Junior Preferred Stock and Common Stock. Any partial payment shall be made ratably among the holders of the Series F Preferred Stock in proportion to the payment each such holder would receive if the full amount of the dividend were paid.

The holders of outstanding shares of Series E Preferred Stock shall be entitled to receive their dividends in preference and priority to any declaration or payment on the Junior Preferred Stock and Common Stock. Any partial payment shall be made ratably among the holders of the Series E Preferred Stock in proportion to the payment each such holder would receive if the full amount of the dividend were paid.

The holders of outstanding shares of Junior Preferred Stock shall be entitled to receive their dividends in preference and priority to any declaration or payment on the Common Stock. Payment of any dividends to the holders of the Junior Preferred Stock shall be made on a pro rata, pari passu basis in proportion for each series of Junior Preferred Stock.

After payment of the dividends above, any additional dividends (other than dividends on Common Stock payable solely in Common Stock) shall be declared or paid among the holders of the Preferred Stock and Common Stock then outstanding in proportion to the greatest number of shares of Common Stock which would be held by each such holder if all the Preferred Stock were converted at the then effective conversion rate.

As of December 31, 2015, no dividends have been declared since inception.

Conversion
Each share of preferred stock is convertible, at the option of the holder, into that number of fully paid shares of Common Stock as determined by dividing the original issue price for the relevant series by the conversion price for such series. The conversion price is subject to adjustment in accordance with conversion provision contained in the Company's Certificate of Incorporation.

Each share of preferred stock shall automatically convert into shares of Common Stock at the then effective conversion price for each such share immediately upon the earlier of (i) the Company's sale of its Common Stock in a firm commitment of an underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended, provided that the public offering price per share is not less than three times the original issuance price of the Series F Preferred Stock (as adjusted for Recapitalizations) and the aggregate gross proceeds to the Corporation are not less than $50,000,000, or (ii) upon the receipt by the Corporation at any time after October 30, 2011 of a written request for such conversion from the holders of a majority of the preferred stock then outstanding, or, if later, the effective date for conversion specified in such request (each of the events referred to in (i) and (ii) are referred to herein as an "Automatic Conversion Event").

Liquidation
In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of the Series F Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Series E Preferred Stock, Junior Preferred Stock or the Common Stock by reason of their ownership of such stock, an amount per share for each share of Series F Preferred Stock held by them equal to the sum of (i) the Liquidation Preference specified for such share of Series F Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of Series F Preferred Stock. If upon the

liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Series F Preferred Stock are insufficient to permit the payment to such holders of the full amounts, then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series F Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

After the payment or setting aside for payment to the holders of Series F Preferred Stock of the full amounts specified above, the holders of the Series E Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Junior Preferred Stock or the Common Stock by reason of their ownership of such stock, an amount per share for each share of preferred stock held by them equal to the sum of (i) the Liquidation Preference specified for such share of Series E Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of preferred stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Series E Preferred Stock are insufficient to permit the payment to such holders of the full amounts, then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series E Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

After the payment or setting aside for payment to the holders of Series F and E Preferred Stock of the full amounts specified above, the holders of the Series Junior Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of Common Stock, an amount per share for each share of Junior Preferred Stock held by them equal to the sum of (i) the liquidation preference specified for such share of Junior Preferred Stock, and (ii) all declared but unpaid dividends (if any) on such share of Junior Preferred Stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Junior Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Junior Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

After the full payments to the Series F Preferred Stock, Series E Preferred Stock and Junior Preferred Stock as above, the entire remaining assets of the Corporation legally available for distribution shall be distributed pro rata to holders of the Common Stock of the Corporation in proportion to the number of shares of Common Stock held by them.

The liquidation preference provisions of the convertible preferred stock are considered contingent redemption provisions because there are certain elements that are not solely within the control of the Company, such as a changes in control of the Company. Accordingly, the Company has presented the convertible preferred stock within the mezzanine portion of the accompanying consolidated balance sheets.

Warrants
As of December 31, 2015, outstanding convertible preferred stock warrants included warrants to purchase 40,379 shares of Series C Preferred Stock at an exercise price of $4.21 per share, and warrants to purchase 40,946,542 shares of Series F Preferred Stock at an exercise price of $0.30 per share.

In connection with a loan and security agreement signed in March 2007, the Company issued warrants to purchase up to 4,751 shares of Series C convertible preferred stock at an exercise price $4.21 per share. The warrants expire in October 2017. The fair value of the warrants was estimated at an aggregate of $14,543, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 4.30%, volatility of 60% and fair value of Series C convertible preferred stock of $4.21 per share. The value of the warrants was recorded as a discount to the loan and was amortized to interest expense over the term of the loan. The warrants remain outstanding at December 31, 2015.

In connection with a loan and security agreement signed in March 2008, the Company issued warrants to purchase up to 35,628 shares of Series C convertible preferred stock at an exercise price $4.21 per share. The warrants expire in March 2018. The fair value of the warrants was estimated at an aggregate of $131,069, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 3.30%, volatility of 71% and fair value of Series C convertible preferred stock of $4.65 per share. The value of the warrants was recorded as a discount to the loan and was being amortized to interest expense over the term of the loan. The warrants remain outstanding at December 31, 2015.

In connection with the loan and security agreement signed in December 2012, the Company issued warrants to purchase up to 666,667 shares of Series F convertible preferred stock at an exercise price $0.30 per share. The warrants expire in December 2022. The fair value of the warrants was estimated at an aggregate of $63,318, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 0.54%, volatility of 39.75% and a fair value of Series F convertible preferred stock of $0.30 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at December 31, 2015.

In May 2013, the Company issued additional warrants related to the loan and security agreement signed in December 2012 to purchase up to 400,000 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in May 2023. The fair value of the warrants was estimated at an aggregate of $51,200, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 3.00%, volatility of 38.00%, and fair value of Series F convertible preferred stock of $0.26 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at December 31, 2015.

In connection with the additional issuance of Series F convertible preferred stock in June 2013, the Company issued warrants to purchase up to 8,333,329 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in June 2018. The fair value of the warrants was estimated at an aggregate of $716,666, using the Black-Scholes option pricing model with the following assumptions: contractual life of five years, expected dividend yield of zero, risk-free interest rate of 2.00%, volatility of 39.90%, and fair value of Series F convertible preferred stock of $0.26 per share. The value of the warrants was recorded in stockholders' equity as a deduction to additional paid-in capital. The warrants remain outstanding at December 31, 2015.

In October 2013, the Company issued additional warrants related to the loan and security agreement signed in December 2012 to purchase up to 400,000 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in October 2023. The fair value of the warrants was estimated at an aggregate of $51,200, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 3.00%, volatility of 38.00%, and fair value of Series F convertible preferred stock of $0.26 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at December 31, 2015.

In connection with the additional issuance of Series F convertible preferred stock in December 2013, the Company issued warrants to purchase up to 29,146,545 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in December 2018. The fair value of the warrants was estimated at an aggregate of $2,506,603, using the Black-Scholes option pricing model with the following assumptions: contractual life of five years, expected dividend yield of zero, risk-free interest rate of 2.00%, volatility of 39.90%, and fair value of Series F convertible preferred stock of $0.26 per share. The value of the warrants was recorded in stockholders' equity as a deduction to additional paid-in capital. The warrants remain outstanding at December 31, 2015.

In March 2015, the Company issued additional warrants related to the loan and security agreement signed in December 2012 to purchase up to 333,334 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in March 2025. The fair value of the warrants was estimated at an aggregate of $36,667, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 1.93%, volatility of 36.5%, and fair value of Series F convertible preferred stock of $0.25 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at December 31, 2015.

In December 2015, the Company issued additional warrants related to the loan and security agreement signed in December 2015 to purchase up to 1,666,667 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in December 2025. The fair value of the warrants was estimated at an aggregate of $103,857, using the Black-Scholes option pricing model with the following assumptions: weighted term of 2.9 years, expected dividend yield of zero, risk-free interest rate of 1.19%, volatility of 33.9%, and fair value of Series F convertible preferred stock of $0.28 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at December 31, 2015.

For the years ended December 31, 2015 and 2014, the Company remeasured the fair value of all outstanding convertible preferred stock warrants and recorded $1,087,794 and $962,822, respectively, to other income (expense) to reflect the change in fair value.

The fair value of the convertible preferred stock warrants was determined using the Black-Scholes options pricing model with the following weighted-average assumptions:

	Series F December 31, 2015	Series F December 31, 2014
Risk-free interest rate	0.69%	1.38%
Expected term (in years)	1.22	4.03
Estimated dividend yield	—%	—%
Weighted-average estimated volatility	31%	36%

7. Common Stock

The Company's Certificate of Incorporation, as amended, authorized the Company to issue 450,000,000 shares of $0.001 par value common stock. Each share of common stock is entitled to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of stock outstanding. Since the Company's inception, there have been no dividends declared.

8. Stock Option Plans

In 2004, the Company established its 2004 Stock Option Plan (the "Prior Plan") which provided for the granting of stock options to employees, directors, and consultants of the Company. Options granted under the Plan may be either incentive stock options ("ISOs") or nonstatutory stock options ("NSOs"), as determined by the Administrator at the time of grant. The term of each option shall be stated in the Option Agreement; however, the term shall be no more than ten years from the date of the grant thereof. In the case of an ISO granted to an optionee who, at the time the option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any parent subsidiary, the term of the option shall be five years from the date of grant or such shorter term as may be provided in the Option Agreement. Options granted under the Plan generally vest 25% one year after the vesting announcement date and ratably thereafter over the next 36 months. The 2004 Plan terminated in October 2014 and as such, no further options will be granted under this plan.

In October 2014, the Company adopted its 2014 Stock Plan (the "Plan") which provides for the granting of various types of awards, including stock options, restricted stock purchase awards and restricted stock bonus awards (each, an "Award") to employees, directors, and consultants (each, a "Grantee") of the Company or its subsidiaries. Options granted under the Plan may be either ISOs or NSOs, as determined by the Administrator at the time of grant. However, ISOs may only be granted to employees of the Company or a subsidiary. In any calendar year, no more than 5,000,000 shares of Common Stock may be issued to a Grantee through stock options; provided, however, that an additional 5,000,000 shares may be granted pursuant to options in connection with a Grantee's commencement of employment. In any calendar year, the Company may issue a maximum of 10,000,000 shares of Common Stock to a Grantee through restricted stock as performance-based compensation. The term of each Award shall be specified pursuant to a written agreement (an "Award Agreement"); however, the term shall be no more than ten years from the date of the grant thereof. In the case of an ISO granted to a Grantee who, at the time the option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company, the term of the option shall be five years from the date of grant or such shorter term as may be provided in the Award Agreement. Options granted under the Plan generally vest 25% one year after the vesting announcement date and ratably thereafter over the next 36 months.

Activities under the Company's stock option plans are as follows:

	Shares Available for Grant	Outstanding Options: Number of Shares	Outstanding Options: Weighted Average Exercise Price
Balance, December 31, 2013	16,511,122	46,372,957	$ 0.094
Options granted	(6,929,709)	6,929,709	0.023
Options exercised	—	(3,688,650)	0.037
Options cancelled	11,599,162	(11,599,162)	0.033
Balance, December 31, 2014	21,180,575	38,014,854	0.105
Options granted	(11,902,375)	11,902,375	0.019
Options exercised	—	(2,599,407)	0.034
Options cancelled	2,747,673	(2,747,673)	0.029
Balance, December 31, 2015	12,025,873	44,570,149	0.025

The following table summarizes information about stock options outstanding at December 31, 2015:

	Options Outstanding		Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Number Exercisable	Exercise Price
$ 0.039	5,576,889	5.38	5,571,250	$ 0.039
0.038	1,265,356	6.92	980,950	0.038
0.023	26,346,356	8.09	8,039,433	0.023
0.019	11,381,548	9.42	266,270	0.019
	44,570,149		14,857,903	

At December 31, 2014, 24,639,978 shares were exercisable under the Plan with a weighted average exercise price of $0.028 per share.

Stock-Based Compensation Associated with Awards to Employees
During the years ended December 31, 2015 and 2014, the Company granted stock options to employees to purchase 11,730,302 and 6,810,822 shares of common stock, respectively, with a weighted-average grant date common stock option fair value of $0.009 and $0.008 per option, respectively. Stock-based compensation expense recognized during the years ended December 31, 2015 and 2014 includes compensation expense for stock-based awards granted to employees based on the grant date fair value estimated in accordance with the provisions of ASC 718 of $108,929 and $165,779, respectively. As of December 31, 2015, there were total unrecognized compensation costs of $217,166 related to these stock options. These costs are expected to be recognized over a weighted average period of 2.37 years.

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

	Year Ended December 31,	
	2015	2014
Expected term (in years)	6.20	5.08
Expected volatility	49%	34%
Average risk-free interest rate	1.69%	1.68%
Dividend yield	—%	—%

The expected term of stock options represents the weighted-average period the stock options are expected to remain outstanding and is based on the options vesting term, contractual terms, and industry peers as the Company did not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. The expected stock price volatility assumption was determined by examining the historical volatilities for industry peers, as the Company did not have any trading history for the Company's common stock. The Company will continue to analyze the historical stock price volatility and expected term assumptions as more historical data for the Company's common stock becomes available. The risk-free rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected term of the Company's stock options. The expected dividend assumption is based on the Company's history and expectation of dividend payouts.

ASC 718 requires forfeitures to be estimated at the time of the grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those of estimates. Forfeitures are estimated based on an analysis of the Company's historical option forfeitures.

Stock-Based Compensation Associated with Awards to Nonemployees

During the years ended December 31, 2015 and 2014, the Company granted options to purchase 172,073 and 118,887 shares of common stock, respectively, to consultants in exchange for services. Stock-based compensation expense related to stock options granted to nonemployees is recognized as the stock options are earned. The Company believes that the estimated fair value of the stock options is more readily measurable than the fair value of the services rendered.

The fair value of the stock options granted to nonemployees is calculated at each reporting date using the Black-Scholes pricing model using the following assumptions:

	Year Ended December 31,	
	2015	2014
Contractual term (in years)	10	10
Expected volatility	49%	41%
Average risk-free interest rate	2.18%	2.26%
Dividend yield	—%	—%

The stock-based compensation expense will fluctuate as the estimated fair value of the common stock fluctuates. In connection with the grant of stock options to nonemployees, the Company recorded stock-based compensation expense of $39,470 and $39,983 for the years ended December 31, 2015 and 2014, respectively.

9. Income Taxes

The following table presents domestic and foreign components of income (loss) before income taxes for the periods presented:

	December 31, 2015	December 31, 2014
Domestic	$ (10,332,750)	$ (9,223,431)
Foreign	(2,194,681)	(2,723,705)
Total	$ (12,527,431)	$ (11,947,136)

The tax effects of temporary differences that give rise to significant components of the deferred tax assets are as follows:

	December 31, 2015	December 31, 2014
Net operating loss carryforwards	$ 36,918,000	$ 32,994,000
Research and development credits	779,000	769,000
Accrual, reserves and prepaids	2,273,000	1,007,000
Total deferred tax assets	39,970,000	34,770,000
Less: Valuation allowance	(39,970,000)	(34,770,000)
Net deferred tax assets	$ —	$ —

As of December 31, 2015, the Company had net operating loss carryforwards of approximately $86,213,000, $33,353,000 and $16,136,000 available to reduce future taxable income, if any, for federal, California state and Germany foreign income tax purposes, respectively. The net operating loss carryforwards will begin to expire in 2025 and 2015, respectively. Valuation allowances have been reserved, where necessary.

As of December 31, 2015, the Company also had federal and state research and development credit carryforwards of approximately $229,000 and $1,227,000, respectively. The federal research and development credit carryforwards expire beginning 2031 if not utilized and California credits carry forward indefinitely. Valuation allowances have been reserved, where necessary.

Utilization of the net operating loss carry forward may be subject to an annual limitation due to the ownership percentage change limitations provided by the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of the net operating loss before utilization.

ASC 740-10 prescribes a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of any uncertain tax positions that have been taken or expected to be taken on a tax return. As of December 31, 2014 and December 31, 2015, the Company recorded a $373,000 and $364,000 reduction to its deferred tax assets for unrecognized tax benefits, all of which has been fully offset by a valuation allowance. There was no interest or penalties accrued at December 31, 2014 and December 31, 2015. The Company does not anticipate any significant changes to unrecognized tax benefits in the next 12 months. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

The Company has performed an analysis of ownership changes under Internal Revenue Code Section 382 and 383, and has determined that ownership changes have taken place which resulted in a limitation on the Company's ability to utilize its Net Operating Loss and R&D credit. As such, the Company's federal and state net operating loss as well as the federal R&D credit carryovers have been reduced accordingly.

The Company files income tax returns in the US federal jurisdiction, various states including California, and in Germany. As of December 31, 2015, all of the years remain open to examination by the federal and state tax authorities, for three or four years from the tax year in which net operating losses or tax credits are utilized. The Company is not currently subject to income tax examinations by any tax authority.

10. Subsequent Events

In February 2016, the Company entered into a lease agreement to extend the facility lease in California until August 31, 2019.

In April 2016, the Company entered into a settlement agreement with Orthophoenix, LLC. As a result, the Company obtained license to certain Orthophoenix, LLC patents. As consideration for the release of all claims against the Company and acquisition by the Company of certain patent applications, the Company paid $3,750,000, which consisted primarily of $3,310,000 for avoidance of litigation costs and patent license with an estimated fair value of $440,000.

The settlement cost of $3,310,000 was expensed in 2015 because the litigation was on-going as of December 31, 2015.

On July 6, 2016, the Company entered into a definitive agreement to be acquired by Merit Medical Systems, Inc.

Management has evaluated all transactions and events through September 21, 2016, the date on which these financial statements were issued and did not note any other items that would adjust the financial statements or require additional disclosures.

Exhibit 99.4

DFINE, Inc.

Consolidated Financial Statements

As of June 30, 2016 and December 31, 2015, and for the six months ended June 30, 2016 and 2015 (unaudited)

DFINE, Inc.
Index
As of June 30, 2016 and December 31, 2015, and for the six months ended June 30, 2016 and 2015 (Unaudited)

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DFINE, Inc.
Consolidated Balance Sheets
June 30, 2016 and December 31, 2015

	June 30, 2016	December 31, 2015
Assets	(unaudited)	
Current assets		
Cash and cash equivalents	$ 1,029,967	$ 10,815,675
Accounts receivable, net	4,244,475	4,087,053
Inventories	4,852,814	4,550,146
Prepaid expenses and other current assets	1,290,852	374,589
Total current assets	11,418,108	19,827,463
Restricted cash	100,731	100,696
Property and equipment, net	1,911,105	1,921,909
Other assets	151,846	173,081
Total assets	$ 13,581,790	$ 22,023,149
Liabilities, Convertible Preferred Stock, and Stockholders' Deficit		
Current liabilities		
Accounts payable	$ 1,485,297	$ 1,533,969
Accrued liabilities	5,079,938	3,841,446
Litigation settlement obligation	—	3,310,000
Total current liabilities	6,565,235	8,685,415
Long term debt	24,907,970	24,897,207
Convertible preferred stock warrant liability	—	1,350,170
Other liabilities	294,351	85,061
Total liabilities	31,767,556	35,017,853
Commitments and contingencies (Note 5)		
Convertible preferred stock, par value $0.001 - 258,103,000 shares authorized at June 30, 2016 and December 31, 2015, respectively, and 216,092,280 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively (Aggregate liquidation value of $116,376,360 at June 30, 2016)	132,338,744	132,338,744
Stockholders' deficit		
Common stock, $0.001 par value - 450,000,000 shares authorized, 32,504,514 and 32,498,877 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	27,999	26,229
Accumulated other comprehensive loss	(449,218)	(441,097)
Additional paid-in capital	4,452,685	4,358,647
Accumulated deficit	(154,555,976)	(149,277,227)
Total stockholders' deficit	(150,524,510)	(145,333,448)
Total liabilities, convertible preferred stock, and stockholders' deficit	$ 13,581,790	$ 22,023,149

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

DFINE, Inc.
Consolidated Statements of Comprehensive Loss
June 30, 2016 and 2015 (unaudited)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues	$ 17,414,319	$ 16,877,892
Cost of revenues	4,467,361	4,343,499
Gross profit	12,946,958	12,534,393
Operating expenses		
Sales and marketing	12,130,332	11,774,416
Research and development	2,781,769	2,467,997
General and administrative	3,384,238	2,261,951
Total operating expenses	18,296,339	16,504,364
Loss from operations	(5,349,381)	(3,969,971)
Interest income	12,341	3,120
Interest expense	(1,269,283)	(757,203)
Other income (expense), net	1,327,574	(7,755)
Net loss	(5,278,749)	(4,731,809)
Comprehensive loss		
Foreign currency translation adjustment	(8,121)	(242,536)
Comprehensive loss	$ (5,286,870)	$ (4,974,345)

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

DFINE, Inc.
Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
June 30, 2016 and 2015 (unaudited)

	Convertible Preferred Stock		Common Stock		Accumulated Other Comprehensive Loss	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balances at December 31, 2014	216,092,280	$ 132,338,744	29,899,470	$ 20,095	$ (185,382)	$ 4,047,250	$ (136,749,796)	$ (132,867,833)
Exercise of common stock options, dollar amounts net of unvested early exercised stock options	—	—	2,523,401	2,523	—	82,536	—	85,059
Vested portion of early exercised options	—	—	—	1,768	—	38,881	—	40,649
Stock-based compensation expense	—	—	—	—	—	92,425	—	92,425
Foreign currency translation adjustment	—	—	—	—	(242,536)	—	—	(242,536)
Net loss	—	—	—	—	—	—	(4,731,809)	(4,731,809)
Balances at June 30, 2015	216,092,280	132,338,744	32,422,871	24,386	(427,918)	4,261,092	(141,481,605)	(137,624,045)
Exercise of common stock options, dollar amounts net of unvested early exercised stock options	—	—	76,006	76	—	2,700	—	2,776
Vested portion of early exercised options	—	—	—	1,767	—	38,881	—	40,648
Stock-based compensation expense	—	—	—	—	—	55,974	—	55,974
Foreign currency translation adjustment	—	—	—	—	(13,179)	—	—	(13,179)
Net loss	—	—	—	—	—	—	(7,795,622)	(7,795,622)
Balances at December 31, 2015	216,092,280	132,338,744	32,498,877	26,229	(441,097)	4,358,647	(149,277,227)	(145,333,448)
Exercise of common stock options, dollar amounts net of unvested early exercised stock options	—	—	5,637	6	—	198	—	204
Vested portion of early exercised options	—	—	—	1,764	—	38,881	—	40,645
Stock-based compensation expense	—	—	—	—	—	54,959	—	54,959
Foreign currency translation adjustment	—	—	—	—	(8,121)	—	—	(8,121)
Net loss	—	—	—	—	—	—	(5,278,749)	(5,278,749)
Balances at June 30, 2016	216,092,280	$ 132,338,744	32,504,514	$ 27,999	$ (449,218)	$ 4,452,685	$ (154,555,976)	$ (150,524,510)

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

DFINE, Inc.
Consolidated Statements of Cash Flows
June 30, 2016 and 2015 (unaudited)

	Six Months Ended June 30,	
	2016	**2015**
Cash flows from operating activities		
Net loss	$ (5,278,749)	$ (4,731,809)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	457,035	675,990
Stock-based compensation expense	54,959	92,425
Change in fair value of warrant liability	(1,350,170)	(14,950)
Amortization of debt discount	10,763	25,156
Provision for doubtful accounts	—	1,590
Provision for excess and obsolete inventories	70,011	5,617
Changes in assets and liabilities		
Prepaid expenses and other current assets	(916,263)	149,690
Accounts receivable	(157,422)	(104,522)
Inventories	(372,679)	(510,787)
Other assets	(96,565)	(1,572)
Accounts payable	(85,311)	737,982
Accrued liabilities and other	1,488,427	(624,238)
Litigation settlement obligation	(3,310,000)	—
Net cash used in operating activities	(9,485,964)	(4,299,428)
Cash flows used in investing activities		
Change in restricted cash	(35)	(35)
Purchase of property and equipment	(291,792)	(261,056)
Net cash used in investing activities	(291,827)	(261,091)
Cash flows from financing activities		
Proceeds from issuance of common stock	204	85,059
Proceeds from long term debt	—	5,000,000
Net cash provided by financing activities	204	5,085,059
Foreign currency translation adjustment	(8,121)	(242,536)
Net increase (decrease) in cash and cash equivalents	(9,785,708)	282,004
Cash and cash equivalents at beginning of period	10,815,675	7,457,533
Cash and cash equivalents at end of period	$ 1,029,967	$ 7,739,537
Supplementary disclosure of cash flow information		
Cash paid for interest	$ 842,333	$ 507,374
Supplementary disclosure of noncash items		
Issuance of warrants to purchase Series F preferred stock	—	36,667
Acquisition of property and equipment included in accounts payable	123,794	31,701

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

1. The Company

DFINE, Inc. (the "Company") was incorporated in the state of Delaware on April 8, 2004. The Company is a medical device company that develops and markets therapeutic devices that treat vertebral compression fractures and other disorders of the spine in a minimally invasive manner to improve quality of life.

The Company has incurred operating losses and negative cash flows from operations since its inception. At June 30, 2016, the Company had an accumulated deficit of $154.6 million. The Company has financed operations to date primarily through private placement of equity securities and debt agreements. The Company expects its operating losses and negative cash flows to continue into the foreseeable future as it continues to commercialize its products. The Company's management plans to expand commercial activities to grow revenues, manage expenses and obtain additional funds through the issuance of debt. The Company may need to obtain additional financing and there is no assurance that the Company will be successful in obtaining additional financing on favorable terms or at all. Failure to successfully commercialize its products, manage discretionary expenditures or raise additional financing, as required, may adversely impact the Company's ability to achieve its intended business objectives. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not contain any adjustments that might result from the outcome of this uncertainty.

2. Summary of Significant Accounting Policies

Basis of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, DFINE Europe GmbH. All intercompany balances and transactions have been eliminated in consolidation.

Foreign Currency Translation
The foreign subsidiary's functional currency is its local currency. The gains and losses resulting from translating the foreign subsidiary's financial statements into U.S. dollars have been reported in accumulated other comprehensive loss within stockholders' deficit. Revenues and expenses are translated at average exchange rates in effect during the period. All assets and liabilities are translated at current period-end exchange rates. Foreign currency transaction gains and losses are included in the statements of comprehensive loss and have not been significant for the periods presented.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments
For financial instruments consisting of cash equivalents, accounts receivable, accounts payable and accrued liabilities included in the Company's financial statements, the carrying amounts approximate fair value due to their short maturities. Based on the borrowing rates available to the Company for loans with similar terms, the carrying value of the borrowings approximates their fair value (Level 2 within the fair value hierarchy). The carrying amounts of the convertible preferred stock warrant liabilities represent their estimated fair value (Level 3 within the fair value hierarchy).

Concentration of Credit Risks and Other Risks and Uncertainties
The Company's cash and cash equivalents are maintained with four financial institutions. Deposits in those institutions may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with reputable financial institutions and therefore bear minimal credit risk.

The Company is subject to risks common to companies in the medical device industry including, but not limited to, new technological innovations, dependence on key personnel, dependence on key suppliers, protection of proprietary technology, product liability and compliance with government regulations. To sustain profitable operations, the Company must successfully design, develop, manufacture and market its products. There can be no assurance that current products will continue to be accepted in the marketplace, nor can there be any assurance that any future products can be developed or manufactured at an acceptable cost and with appropriate performance characteristics, or that such products will be successfully marketed, if at all. These factors could have a material adverse effect on the Company's future financial results, financial position and cash flows.

The Company is dependent on two vendors for the manufacture and supply of the Company's products and any delay or failure to adequately supply the product by the vendors could have a material adverse impact on the Company.

Future products developed by the Company may require approvals or clearances from the U.S. Food and Drug Administration or other international regulatory agencies prior to commercial sales. There can be no assurance that the Company's products will continue to meet the necessary regulatory requirements. If the Company were to be denied or was delayed in receiving such approvals or clearances, it may have a materially adverse impact on the Company.

Cash and Cash Equivalents
The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash
At June 30, 2016 and December 31, 2015, cash of $100,731 and $100,696, respectively, was restricted from withdrawal and held by financial institutions in the form of certificates of deposit. These certificates of deposit serve as the security deposit on the Company's facility lease.

Accounts Receivable
Accounts receivable are typically unsecured and represent amounts due from customers. The Company evaluates customer credit and maintains reserves for potential credit losses. The allowance for uncollectible accounts receivable is based on the Company's historical bad debt experience and on management's evaluation of the Company's ability to collect individual outstanding balances. The allowance for doubtful accounts was $194,651 and $219,316, respectively, at June 30, 2016 and December 31, 2015.

Inventories
Inventories are stated at the lower of cost (determined using average cost), or market (estimated net realizable value). As of June 30, 2016 and December 31, 2015, the Company's inventories consisted of parts and medical equipment. The Company periodically assesses the recoverability of all inventories, including raw materials and finished goods, to determine whether adjustments for impairment are required. Inventory that is obsolete or in excess of forecasted usage is written down to its estimated net realizable value based on assumptions about future demand and market conditions. Inventory write-downs are charged to cost of revenues and establish a new cost basis for the inventory.

Provisions for excess and obsolete inventory were $70,011 and $5,617 for the six months ended June 30, 2016 and 2015, respectively.

Property and Equipment
Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally between three and seven years, or the lease term of the respective assets, whichever is lower. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed, the cost and accumulated depreciation and amortization are removed from the balance sheet and any resulting gain or loss is reflected in operations in the period realized.

Accounting for Long-lived Assets
The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to the future net cash flows which the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future net cash flows arising from the asset. There have been no impairments of long-lived assets as of June 30, 2016.

Revenue Recognition
The company recognizes revenue in accordance with ASC 605, *Revenue Recognition*. The Company earns revenue from the sale of its products to distributors and hospitals. Revenue is recognized when the title and risk of ownership has been transferred, provided that persuasive evidence of an arrangement exists, the price is fixed and determinable, remaining obligations are insignificant and collectability is reasonably assured. Revenue is recorded net of customer and distributor discounts.

The company sells its products primarily to hospitals in the United States and European Union primarily through direct sales representatives. Revenue is recorded on sales to hospitals, net of discounts, upon the receipt of a customer purchase order, delivery of the product and when collection of the receivable is probable, at time of sale. Commissions paid to sales representatives are recorded as a sales and marketing expense. Sales to distributors are recorded when title and risk of loss transfer upon shipment, provided that all other revenue recognition criteria are met. The Company provides no price protection or stock rotation rights. All customers have a warranty for product defects in materials or workmanship but warranty expense has historically been insignificant and the Company does not provide a general right of return on the sale of its products.

Shipping Costs
Shipping costs charged to customers are included in revenues and the associated expense is included in cost of revenues in the consolidated statements of comprehensive loss.

Research and Development
The Company's research and development costs are expensed as incurred. Research and development costs consist of payroll and personnel expenses, including stock-based compensation, laboratory supplies and consulting costs, as well as allocations of related facilities costs.

Advertising Costs
Advertising costs, included in sales and marketing expenses, are expensed as incurred. Advertising costs were $1,482 and $17,172 for the six months ended June 30, 2016 and 2015, respectively.

Warranty Costs
The Company offers a limited warranty on its products. Warranty expense has been insignificant for the six months ended June 30, 2016 and 2015.

Income Taxes
The Company accounts for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax bases of the Company's assets and liabilities and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized.

Fair Value of Financial Instruments
ASC 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value, and requires disclosure about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active;

- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Cash equivalents consisting of money market funds, commercial paper and U.S. Government Agency Securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

The convertible preferred stock warrant liability is classified within Level 3 of the fair value hierarchy because warrants are valued using the Black-Scholes pricing model, which uses unobservable inputs (see Note 6).

As of June 30, 2016, financial assets and liabilities are measured and recognized at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy as described above and as follows:

Liabililties	**Level 1**	**Level 2**	**Level 3**	**Total**
Convertible preferred stock warrant liability	—	—	—	—

The change in fair value of the convertible preferred stock warrant liability is summarized below:

Fair value at December 31, 2014	$	2,297,440
Issuance of warrants in connection with loan agreement		36,667
Decrease in fair value recorded in other income, net		(14,950)
Fair value at June 30, 2015		2,319,157
Issuance of warrants in connection with loan agreement		103,857
Decrease in fair value recorded in other income, net		(1,072,844)
Fair value at December 31, 2015		1,350,170
Issuance of warrants in connection with loan agreement		—
Decrease in fair value recorded in other income, net		(1,350,170)
Fair value at June 30, 2016	$	—

Stock-Based Compensation
The Company accounts for stock based compensation in accordance with the provisions of ASC 718 *Compensation-Stock Compensation*, which requires the measurement and recognition of compensation expense for all share based payment awards, including stock options using a fair-value based method. ASC 718 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The fair value of the option grants is expensed on a straight-line basis over the requisite service period.

The Company accounts for equity instruments issued to nonemployees in accordance with ASC 505-50 *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. Equity instruments issued to nonemployees are recorded at their fair value on the measurement date and are subject to periodic adjustment as the underlying equity instruments vest.

Convertible Preferred Stock Warrants
Freestanding warrants and other similar instruments related to shares that are accounted for in accordance with ASC 480 *Distinguishing Liabilities from Equity*. The freestanding warrants are exercisable into the Company's convertible preferred stock and are classified as liabilities on the balance sheet. The warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of other income or expense. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants or the completion of an initial public offering, at which time all unexercised warrants will be converted into warrants to purchase common stock.

Comprehensive Loss
Comprehensive loss represents all changes in stockholders' equity except those resulting from investments or contributions by stockholders. The Company's comprehensive loss is comprised of its net loss and changes in foreign currency translation adjustments.

Accounting Pronouncements
In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". The amendment in this ASU provides guidance on the revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The core principle of this

update provides guidance to identify the performance obligations under the contract(s) with a customer and how to allocate the transaction price to the performance obligations in the contract. It further provides guidance to recognize revenue when (or as) the entity satisfies a performance obligation. This ASU will be effective for the Company for annual periods beginning in 2018 and for interim periods beginning in 2019. The FASB has issued several updates to the standard which i) clarify the application of the principal versus agent guidance (ASU 2016-08); ii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10) and iii) narrow-scope improvements and practical expedients (ASU 2016-12). The Company is assessing the impact of this guidance and does not believe the adoption of this guidance will have a material impact to the Company's consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements-Going Concern”, with new guidance to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. The new guidance is effective for fiscal years beginning after December 15, 2016 with early application permitted. The Company is assessing the impact of this guidance and does not believe the adoption of this guidance will have a material impact to the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC 842)", which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASC 842 supersedes the previous leases standard, ASC 840 Leases. The standard is effective on January 1, 2019, with early adoption permitted. The Company is in the process of evaluating the impact of this new guidance.

In March 2016 the FASB issued Accounting Standards Update (ASU) No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". This update simplifies the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for private entities for annual periods beginning after December 15, 2017. The Company is in the process of evaluating the impact of this new guidance.

3. Balance Sheet Components

Inventories

	June 30, 2016	December 31, 2015
Finished goods	$ 2,420,361	$ 2,504,613
Work-in-process	2,352,925	1,928,842
Raw materials	79,528	116,691
	$ 4,852,814	$ 4,550,146

Prepaid Expenses and Other Current Assets

	June 30, 2016	December 31, 2015
Prepaid insurance	$ 87,174	$ 52,625
Prepaid marketing expense	38,775	40,511
Prepaid rent	78,079	77,833
Other	1,086,824	203,620
	$ 1,290,852	$ 374,589

Property and Equipment, Net

	June 30, 2016	December 31, 2015
Machinery, equipment and tools	$ 3,325,626	$ 3,224,789
Computer equipment and software	2,753,939	2,674,341
Furniture and fixtures	452,008	411,741
Controller equipment	3,762,825	2,762,827
Leasehold improvements	223,261	221,042
Construction-in-progress	107,261	928,036
	10,624,920	10,222,776
Less: Accumulated depreciation and amortization	(8,713,815)	(8,300,867)
	$ 1,911,105	$ 1,921,909

Depreciation and amortization expense for the six months ended June 30, 2016 and 2015 was $457,035 and $675,990, respectively.

Accrued Liabilities

	June 30, 2016	December 31, 2015
Payroll and related expenses	$ 2,310,567	$ 2,143,935
Professional fees	566,737	560,312
Sales tax payable	125,872	59,236
Other	2,076,762	1,077,963
	$ 5,079,938	$ 3,841,446

4. Debt

On December 31, 2012, the Company entered into a four year financing arrangement with Silicon Valley Bank and Oxford Finance, LLC, which is comprised of an $11 million term loan and a $5 million revolving loan. The Company drew down the full term loan amount in three tranches of $5 million, $3 million and $3 million on December 31, 2012, May 3, 2013, and October 15, 2013, respectively. The loan agreement for each tranche provides for the Company to make interest-only payments at a stated rate of 7.98% per annum for 20 months starting on the date of each drawdown. Thereafter, the Company is obligated to pay monthly cash payments of principal and interest for a 30 month period with a balloon payment at loan maturity which is accreted as interest expense over the term of the loan. As of June 30, 2016, the Company had not drawn down any amount of the $5 million revolving loan.

On January 24, 2014, the Company entered into a Third Amendment to Loan and Security Agreement with Silicon Valley Bank and Oxford Finance, LLC. The amendment provided for two additional tranches of the term loan in amounts of $5 million and $2.5 million, respectively. The Company drew the first additional tranche of $5 million on March 31, 2015 at a rate of 8.01% per annum. The Company repaid the $16 million loan in December 2015.

On December 14, 2015, the Company refinanced its existing debt entering into a new five year financing agreement with Silicon Valley Bank and Oxford Finance, LLC. The new loan facility provides for $35 million in term loans, available for draw over three tranches, and a $5 million revolving loan, the utilization of which is based on a percentage of qualifying U.S. accounts receivables. On December 14, 2015, the Company drew down the first tranche of $25 million on the term loan, using a portion of the proceeds to repay the $16 million outstanding debt. The loan agreement provides for the Company to make interest-only payments at a stated rate of 7.98% per annum for 21 months starting on the date of first draw. Thereafter, the Company is obligated to pay monthly cash payments of principal and interest for a 36 month period with a 10% balloon payment at loan maturity which is accreted as interest expense over the term of the loan. The second tranche of $5 million may be drawn down within 30 days after the Company achieves trailing six month revenue of $20 million provided it's before April 30, 2017 and there have been no events of default. Additionally, upon the second tranche draw, the interest only payment period may be extended from November 1, 2017 to November 1, 2018. The third tranche of $5 million may be drawn down within 30 days after the Company achieves trailing six month revenue of $22 million provided it's before April 30, 2018 and there have been no events of default. As of June 30, 2016, the Company had only drawn the initial $25 million term loan tranche and had not drawn down any of the $5 million revolving loan.

Future minimum payments for long term debt as of June 30, 2016 are as follows:

2016, remaining six months	$	1,014,125
2017		2,022,708
2018		4,099,115
2019		13,890,035
2020		13,304,122
		34,330,105
Less: Amount representing interest		(9,330,105)
Less: Amount representing debt discount		(92,030)
Present value of minimum payments		24,907,970
Less: Long term debt current portion		—
Long term debt net of current portion	$	24,907,970

In connection with each draw down under the term loan, the Company issued warrants to purchase an aggregate of 3,466,667 shares of Series F convertible preferred stock at $0.30 per share. The warrants were recorded on each respective issuance date at an aggregate fair value of $306,242 as a debt discount, which is amortized to interest expense over the term of the loan. Refer to Note 6 for more information on convertible preferred stock warrants.

Under the terms of the agreement, Silicon Valley Bank and Oxford Finance, LLC have a first priority in all of the Company's assets, except intellectual property. The Company also has to comply with certain covenants. The loan agreement contains customary representations and warranties, covenants, events of defaults and termination provisions. The affirmative covenants include, among other requirements, that the Company timely file taxes, provide financial statements on a timely basis, maintain good standing and government compliance and maintain liability and other insurance. The negative covenants provide, among other requirements, that without the prior consent of the lender (subject to certain exceptions) the Company may not engage in certain business combinations or acquisitions, incur additional indebtedness, pay dividends on the Company's capital stock or make prohibited investments.

The agreement also requires that cash and cash equivalents held by DFINE Europe GmbH does not exceed $650,000 (or equivalent) at any time. For the year ended December 31, 2015, the Company received a waiver from Oxford Finance, LLC with the covenant over timely delivery of the audited financial statements. For the six months ended June 30, 2016, the Company received a waiver for the use of loan proceeds to pay for the settlement of the Orthophoenix litigation.

5. Commitments and Contingencies

On June 5, 2013, the Company, along with five other medical device companies, was named as a defendant in a patent infringement lawsuit. In April 2016, the Company entered into a settlement agreement with Orthophoenix, LLC. As a result, the Company obtained license to certain Orthophoenix, LLC patents. As consideration for the release of all claims against the Company and acquisition by the Company of certain patent applications, the Company paid $3,750,000, which consisted of $3,310,000 for avoidance of litigation costs accrued for and expensed in fiscal year 2015, $320,000 for past patent amortization which was recorded as General & Administrative expense and $120,000 for patent license both of which were recorded on the settlement payment date. The patent license of $120,000 was recorded as other assets and is being amortized.

In May 2007, the Company leased office space in California under a noncancelable operating lease with escalating base rental, which was amended in May 2013 to extend the term of the lease through August 2016. In February 2016, the lease was further extended until August 31, 2019. In December 2008, the Company leased office space in Germany under a noncancelable operating lease with escalating base rental, based on changes in a consumer price index, which was amended in May 2013 to extend the term of the lease through December 2017.

Future minimum lease payments under the noncancelable operating leases as of June 30, 2016 are as follows:

2016, remaining six months	$	221,765
2017		863,682
2018		775,306
2019		525,813
Total minimum lease payments	$	2,386,566

The Company recognizes rent expense on a straight-line basis over the lease term. Rent expense for the six months ended June 30, 2016 and 2015 was $393,689 and $343,652, respectively.

Indemnification
The Company enters into indemnification provisions under its agreements with the other companies in the ordinary course of business, including business partners, contractors and parties performing its research and development. Pursuant to these arrangements, the Company indemnifies, hold harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party as a result of the Company's activities. The terms of these indemnification agreements are generally perpetual. The maximum potential amount of future payments the Company could be required to make under these agreement is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimate of fair value of these agreements is minimal. The Company maintains commercial general liability insurance and product liability insurance to offset certain of its potential liabilities under these indemnification provisions.

Contingencies
The Company is subject to a wide variety of laws and regulations. Certain claims, suits and complaints in the ordinary course of business are pending or may arise. While there can be no assurance as to the ultimate outcome of any litigation involving the Company, the Company does not believe any pending legal proceedings will result in a judgment or settlement that would have a material adverse effect on the Company's financial position, results of operations or cash flows, except as disclosed above.

6. Convertible Preferred Stock

The Company’s Certificate of Incorporation, as amended, authorizes the Company to issue shares of preferred stock with a par value of $0.001 per share.

Authorized and outstanding convertible preferred stock and its principal terms are as follows at June 30, 2016.

	June 30, 2016			
	Shares		Liquidation	Proceeds Net of Issuance
Series	Authorized	Outstanding	Amount	Costs
A	3,570,000	3,569,758	$ 1,326,512	$ 2,135,584
B	2,360,000	2,359,797	4,334,676	6,912,482
C	2,259,000	2,218,521	5,784,513	9,244,784
D	7,406,000	7,405,374	21,326,575	34,217,429
E	42,308,000	42,307,229	36,134,604	35,915,445
F	200,200,000	158,231,601	47,469,480	47,100,679
	258,103,000	216,092,280	$ 116,376,360	$ 135,526,403

Proceeds from issuance of Series F convertible preferred stock excludes $3,187,659 of issuance cost related to Series F preferred stock warrants.

Authorized and outstanding convertible preferred stock and its principal terms are as follows at December 31, 2015.

	December 31, 2015			
	Shares		Liquidation	Proceeds Net of Issuance
Series	Authorized	Outstanding	Amount	Costs
A	3,570,000	3,569,758	$ 1,326,512	$ 2,135,584
B	2,360,000	2,359,797	4,334,676	6,912,482
C	2,259,000	2,218,521	5,784,513	9,244,784
D	7,406,000	7,405,374	21,326,575	34,217,429
E	42,308,000	42,307,229	36,134,604	35,915,445
F	200,200,000	158,231,601	47,469,480	47,100,679
	258,103,000	216,092,280	$ 116,376,360	$ 135,526,403

Proceeds from issuance of Series F convertible preferred stock excludes $3,187,659 of issuance cost related to Series F preferred stock warrants.

The rights, preferences and privileges of the Series A, B, C and D (collectively known as "Junior Preferred Stock"), E and F convertible preferred stock are as follows:

Dividends
The holders of the outstanding shares of Junior Preferred Stock, Series E Preferred Stock, and Series F Preferred Stock are entitled to receive, when and if declared by the Board of Directors, a noncumulative dividend at the annual rate of $0.3715972 per share for Series A Preferred Stock, $1.8368852 per share for Series B Preferred Stock, $2.6073734 per share for Series C Preferred Stock, $2.8798782 per share for Series D Preferred Stock, $0.85410 per share for Series E Preferred Stock, and $0.30 per share for Series F Preferred Stock.

The holders of outstanding shares of Series F Preferred Stock shall be entitled to receive their dividends in preference and priority to any declaration or payment on the Series E Preferred Stock, Junior Preferred Stock and Common Stock. Any partial payment shall be made ratably among the holders of the Series F Preferred Stock in proportion to the payment each such holder would receive if the full amount of the dividend were paid.

The holders of outstanding shares of Series E Preferred Stock shall be entitled to receive their dividends in preference and priority to any declaration or payment on the Junior Preferred Stock and Common Stock. Any partial payment shall be made ratably among the holders of the Series E Preferred Stock in proportion to the payment each such holder would receive if the full amount of the dividend were paid.

The holders of outstanding shares of Junior Preferred Stock shall be entitled to receive their dividends in preference and priority to any declaration or payment on the Common Stock. Payment of any dividends to the holders of the Junior Preferred Stock shall be made on a pro rata, pari passu basis in proportion for each series of Junior Preferred Stock.

After payment of the dividends above, any additional dividends (other than dividends on Common Stock payable solely in Common Stock) shall be declared or paid among the holders of the Preferred Stock and Common Stock then outstanding in proportion to the greatest number of shares of Common Stock which would be held by each such holder if all the Preferred Stock were converted at the then effective conversion rate.

As of June 30, 2016, no dividends have been declared since inception.

Conversion
Each share of preferred stock is convertible, at the option of the holder, into that number of fully paid shares of Common Stock as determined by dividing the original issue price for the relevant series by the conversion price for such series. The conversion price is subject to adjustment in accordance with conversion provision contained in the Company's Certificate of Incorporation.

Each share of preferred stock shall automatically convert into shares of Common Stock at the then effective conversion price for each such share immediately upon the earlier of (i) the Company's sale of its Common Stock in a firm commitment of an underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended, provided that the public offering price per share is not less than three times the original issuance price of the Series F Preferred Stock (as adjusted for Recapitalizations) and the aggregate gross proceeds to the Corporation are not less than $50,000,000, or (ii) upon the receipt by the Corporation at any time after October 30, 2011 of a written request for such conversion from the holders of a majority of the preferred stock then outstanding, or, if later, the effective date for conversion specified in such request (each of the events referred to in (i) and (ii) are referred to herein as an "Automatic Conversion Event").

Liquidation
In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of the Series F Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Series E Preferred Stock, Junior Preferred Stock or the Common Stock by reason of their ownership of such stock, an amount per share for each share of Series F Preferred Stock held by them equal to the sum of (i) the Liquidation Preference specified for such share of Series F Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of Series F Preferred Stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Series F Preferred Stock are insufficient to permit the payment to such holders of the full amounts, then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series F Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

After the payment or setting aside for payment to the holders of Series F Preferred Stock of the full amounts specified above, the holders of the Series E Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Junior Preferred Stock or the Common Stock by reason of their ownership of such stock, an amount per share for each share of preferred stock held by them equal to the sum of (i) the Liquidation Preference specified for such share of Series E Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of preferred stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Series E Preferred Stock are insufficient to permit the payment to such holders of the full amounts, then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series E Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

After the payment or setting aside for payment to the holders of Series F and E Preferred Stock of the full amounts specified above, the holders of the Series Junior Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of Common Stock, an amount per share for each share of Junior Preferred Stock held by them equal to the sum of (i) the liquidation preference specified for such share of Junior Preferred Stock, and (ii) all declared but unpaid dividends (if any) on such share of Junior Preferred Stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Junior Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Junior Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

After the full payments to the Series F Preferred Stock, Series E Preferred Stock and Junior Preferred Stock as above, the entire remaining assets of the Corporation legally available for distribution shall be distributed pro rata to holders of the Common Stock of the Corporation in proportion to the number of shares of Common Stock held by them.

The liquidation preference provisions of the convertible preferred stock are considered contingent redemption provisions because there are certain elements that are not solely within the control of the Company, such as a change in control of the Company. Accordingly, the Company has presented the convertible preferred stock within the mezzanine portion of the accompanying consolidated balance sheets.

Warrants
As of June 30, 2016, outstanding convertible preferred stock warrants included warrants to purchase 40,379 shares of Series C Preferred Stock at an exercise price of $4.21 per share, and warrants to purchase 40,946,542 shares of Series F Preferred Stock at an exercise price of $0.30 per share.

In connection with a loan and security agreement signed in March 2007, the Company issued warrants to purchase up to 4,751 shares of Series C convertible preferred stock at an exercise price $4.21 per share. The warrants expire in October 2017. The fair value of the warrants was estimated at an aggregate of $14,543, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 4.30%, volatility of 60% and fair value of Series C convertible preferred stock of $4.21 per share. The value of the warrants was recorded as a discount to the loan and was amortized to interest expense over the term of the loan. The warrants remain outstanding at June 30, 2016.

In connection with a loan and security agreement signed in March 2008, the Company issued warrants to purchase up to 35,628 shares of Series C convertible preferred stock at an exercise price $4.21 per share. The warrants expire in March 2018. The fair value of the warrants was estimated at an aggregate of $131,069, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 3.30%, volatility of 71% and fair value of Series C convertible preferred stock of $4.65 per share. The value of the warrants was recorded as a discount to the loan and was being amortized to interest expense over the term of the loan. The warrants remain outstanding at June 30, 2016.

In connection with the loan and security agreement signed in December 2012, the Company issued warrants to purchase up to 666,667 shares of Series F convertible preferred stock at an exercise price $0.30 per share. The warrants expire in December 2022. The fair value of the warrants was estimated at an aggregate of $63,318, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 0.54%, volatility of 39.75% and a fair value of Series F convertible preferred stock of $0.30 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at June 30, 2016.

In May 2013, the Company issued additional warrants related to the loan and security agreement signed in December 2012 to purchase up to 400,000 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in May 2023. The fair value of the warrants was estimated at an aggregate of $51,200, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 3.00%, volatility of 38.00%, and fair value of Series F convertible preferred stock of $0.26 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at June 30, 2016.

In connection with the additional issuance of Series F convertible preferred stock in June 2013, the Company issued warrants to purchase up to 8,333,329 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in June 2018. The fair value of the warrants was estimated at an aggregate of $716,666, using the Black-Scholes option pricing model with the following assumptions: contractual life of five years, expected dividend yield of zero, risk-free interest rate of 2.00%, volatility of 39.90%, and fair value of Series F convertible preferred stock of $0.26 per share. The value of the warrants was recorded in stockholders’ equity as a deduction to additional paid-in capital. The warrants remain outstanding at June 30, 2016.

In October 2013, the Company issued additional warrants related to the loan and security agreement signed in December 2012 to purchase up to 400,000 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in October 2023. The fair value of the warrants was estimated at an aggregate of $51,200, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 3.00%, volatility of 38.00%, and fair value of Series F convertible preferred stock of $0.26 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at June 30, 2016.

In connection with the additional issuance of Series F convertible preferred stock in December 2013, the Company issued warrants to purchase up to 29,146,545 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in December 2018. The fair value of the warrants was estimated at an aggregate of $2,506,603, using the Black-Scholes option pricing model with the following assumptions: contractual life of five years, expected dividend yield of zero, risk-free interest rate of 2.00%, volatility of 39.90%, and fair value of Series F convertible preferred stock of $0.26 per share. The value of the warrants was recorded in stockholders’ equity as a deduction to additional paid-in capital. The warrants remain outstanding at June 30, 2016.

In March 2015, the Company issued additional warrants related to the loan and security agreement signed in December 2012 to purchase up to 333,334 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in March 2025. The fair value of the warrants was estimated at an aggregate of $36,667, using the Black-Scholes option pricing model with the following assumptions: contractual life of ten years, expected dividend yield of zero, risk-free interest rate of 1.93%, volatility of 36.5%, and fair value of Series F convertible preferred stock of $0.25 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at June 30, 2016.

In December 2015, the Company issued additional warrants related to the loan and security agreement signed in December 2015 to purchase up to 1,666,667 shares of Series F convertible preferred stock at an exercise price of $0.30 per share. The warrants expire in December 2025. The fair value of the warrants was estimated at an aggregate of $103,857, using the Black-Scholes option pricing model with the following assumptions: weighted term of 2.9 years, expected dividend yield of zero, risk-free interest rate of 1.19%, volatility of 33.9%, and fair value of Series F convertible preferred stock of $0.28 per share. The value of the warrants was recorded as a discount to the loan and is being amortized to interest expense over the term of the loan. The warrants remain outstanding at June 30, 2016.

For the six months ended June 30, 2016 and 2015, the Company remeasured the fair value of all outstanding convertible preferred stock warrants and recorded $1,350,170 and $14,950, respectively, to other income (expense) to reflect the change in fair value.

The fair value of the convertible preferred stock warrants was determined using the Black-Scholes options pricing model with the following weighted-average assumptions:

	Series F June 30, 2016	Series F December 31, 2015
Risk-free interest rate	0.25%	0.69%
Expected term (in years)	0.01	1.22
Estimated dividend yield	—%	—%
Weighted-average estimated volatility	35%	31%

7. Common Stock

The Company’s Certificate of Incorporation, as amended, authorized the Company to issue 450,000,000 shares of $0.001 par value common stock. Each share of common stock is entitled to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of stock outstanding. Since the Company’s inception, there have been no dividends declared.

8. Stock-Based Compensation

Stock-Based Compensation Associated with Awards to Employees

During the six months ended June 30, 2016 and 2015, the Company granted stock options to employees to purchase 425,000 and 6,015,302 shares of common stock, respectively, with a weighted-average grant date common stock option fair value of $0.010 and $0.009 per option, respectively. Stock-based compensation expense recognized during the six months ended June 30, 2016 and 2015 includes compensation expense for stock-based awards granted to employees based on the grant date fair value estimated in accordance with the provisions of ASC 718 of $54,556 and $53,826, respectively. As of June 30, 2016, there were total unrecognized compensation costs of $152,384 related to these stock options. These costs are expected to be recognized over a weighted average period of 1.97 years.

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

	Six months ended June 30,	
	2016	**2015**
Expected term (in years)	6.20	6.20
Expected volatility	53%	51%
Average risk-free interest rate	1.54%	1.72%
Dividend yield	—%	—%

The expected term of stock options represents the weighted-average period the stock options are expected to remain outstanding and is based on the options vesting term, contractual terms, and industry peers as the Company did not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. The expected stock price volatility assumption was determined by examining the historical volatilities for industry peers, as the Company did not have any trading history for the Company's common stock. The Company will continue to analyze the historical stock price volatility and expected term assumptions as more historical data for the Company's common stock becomes available. The risk-free rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected term of the Company's stock options. The expected dividend assumption is based on the Company's history and expectation of dividend payouts.

ASC 718 requires forfeitures to be estimated at the time of the grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those of estimates. Forfeitures are estimated based on an analysis of the Company's historical option forfeitures.

Stock-Based Compensation Associated with Awards to Nonemployees

During the six months ended June 30, 2016 and 2015, the Company granted options to purchase 0 and 142,073 shares of common stock, respectively, to consultants in exchange for services. Stock-based compensation expense related to stock options granted to nonemployees is recognized as the stock options are earned. The fair value of the stock options granted to nonemployees for the six months ended June 30, 2015 was based on the fair value of the services rendered.

The stock-based compensation expense will fluctuate as the estimated fair value of the common stock fluctuates. In connection with the grant of stock options to nonemployees, the Company recorded stock-based compensation expense of $403 and $38,599 for the six months ended June 30, 2016 and 2015, respectively.

9. Income Taxes

As of June 30, 2016, the Company had net operating loss carryforwards of approximately $93,452,000, $34,138,000 and $17,031,572 available to reduce future taxable income, if any, for federal, California state and Germany foreign income tax purposes, respectively. As of December 31, 2015, the Company had net operating loss carryforwards of approximately $86,213,000, $33,353,000 and $16,136,000 available to reduce future taxable income, if any, for federal, California state and Germany foreign income tax purposes, respectively. The net operating loss carryforwards will begin to expire in 2025 and 2015, respectively. Valuation allowances have been reserved, where necessary.

As of June 30, 2016, the Company had federal and state research and development credit carryforwards of approximately $229,000 and $1,227,000 respectively. As of December 31, 2015, the Company also had federal and state research and development credit carryforwards of approximately $229,000 and $1,227,000, respectively. The federal research and development credit carryforwards expire beginning 2031 if not utilized and California credits carryforward indefinitely. Valuation allowances have been reserved, where necessary.

Utilization of the net operating loss carry forward may be subject to an annual limitation due to the ownership percentage change limitations provided by the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of the net operating loss before utilization.

ASC 740-10 prescribes a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of any uncertain tax positions that have been taken or expected to be taken on a tax return. As of June 30, 2016 and December 31, 2015, the Company recorded a $365,000 and $373,000 reduction to its deferred tax assets for unrecognized tax benefits, all of which has been fully offset by a valuation allowance. There was no interest or penalties accrued at June 30, 2016 and December 31, 2015. The Company does not anticipate any significant changes to unrecognized tax benefits in the next 12 months. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

The Company has performed an analysis of ownership changes under Internal Revenue Code Section 382 and 383, and has determined that ownership changes have taken place which resulted in a limitation on the Company's ability to utilize its Net Operating Loss and R&D credit. As such, the Company's federal and state net operating loss as well as the federal R&D credit carryovers have been reduced accordingly.

The Company files income tax returns in the US federal jurisdiction, various states including California, and in Germany. As of June 30, 2016, all of the years remain open to examination by the federal and state tax authorities, for three or four years from the tax year in which net operating losses or tax credits are utilized. The Company is not currently subject to income tax examinations by any tax authority.

10. Subsequent Events

On July 6, 2016, the Company entered into a definitive agreement to be acquired by Merit Medical Systems, Inc.

Management has evaluated all transactions and events through September 21, 2016, the date on which these financial statements were issued and did not note any other items that would adjust the financial statements or require additional disclosures.

Exhibit 99.5

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

On July 6, 2016, Merit Medical Systems, Inc. ("Merit") consummated the transactions contemplated by an Agreement and Plan of Merger by and among Merit, MMS Transaction Co., a wholly-owned subsidiary of Merit, DFINE Inc. ("DFINE"), certain preferred stockholders of DFINE and Shareholder Representative Services LLC as a stockholder representative, as seller, and acquired all of the issued and outstanding shares of DFINE (the “Acquisition”). The unaudited pro forma combined condensed balance sheet is presented as if the Acquisition had occurred on June 30, 2016. The unaudited pro forma combined condensed statements of operations for the six months ended June 30, 2016 and the year ended December 31, 2015 are presented as if the Acquisition had occurred on January 1, 2015. The Acquisition has been accounted for using the acquisition method of accounting and, accordingly, the total estimated purchase consideration of the Acquisition was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based on their relative fair values. The excess of the purchase consideration over the net tangible and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill.

Determination of the allocations of the DFINE purchase price used in the unaudited pro forma combined condensed balance sheet and statements of operations is based upon preliminary estimates and assumptions. These preliminary estimates and assumptions could change significantly during the measurement period as Merit finalizes the valuations of the net tangible and intangible assets acquired and liabilities assumed. Any change could result in material variances between Merit's future financial results and the amounts presented in the unaudited pro forma combined condensed financial information, including variances in fair values recorded, as well as expenses associated with these items. The unaudited pro forma combined condensed balance sheet and statements of operations reflect adjustments that Merit's management believes are factually supportable, directly attributable to the Acquisition, and with respect to the statements of operations, expected to have a recurring impact on the combined results. The unaudited pro forma combined condensed balance sheet and statements of operations also do not include any restructuring or integration costs Merit may incur or the effects of any cost savings from operating efficiencies and synergies that may result
from the Acquisition.

The unaudited pro forma combined condensed balance sheet and statements of operations are for information purposes only and do not purport to represent what Merit's actual results would have been if the Acquisition had been completed as of the dates indicated above or that may be achieved in the future.

The unaudited pro forma combined condensed balance sheet and statements of operations, including the notes thereto, should be read in conjunction with Merit's historical financial statements set forth in its Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 29, 2016, on Form 10-Q for three and six-month periods ended June 30, 2016, filed with the SEC on August 8, 2016, as amended by Form 10-Q/A, filed with the SEC on September 2, 2016, as well as the historical financial statements of DFINE included elsewhere in this Current Report on Form 8-K.

MERIT MEDICAL SYSTEMS, INC.
UNAUDITED PRO FORMA COMBINED
CONDENSED BALANCE SHEET
AS OF JUNE 30, 2016

(In thousands)	Historical				
	Merit Medical	**DFINE**	**Pro Forma Adjustments**	**Notes**	**Pro Forma Combined**
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	10,487	1,030	(754)	(n)	10,763
Trade receivables	76,792	4,244	(29)	(d)	81,007
Employee receivables	165				165
Other receivables	4,742				4,742
Inventories	109,858	4,853	4,278	(e)	118,989
Prepaid expenses	7,829	1,291	(1,828)	(c)(h)	7,292
Prepaid income taxes	3,044				3,044
Deferred income tax assets	7,017		(603)	(j)	6,414
Income tax refund receivables	43				43
Total current assets	219,977	11,418	1,064		232,459
Property and equipment — net	276,486	1,911	(96)	(d)	278,301
OTHER ASSETS:					
Restricted Cash		101			101
Intangible assets:					
Developed technology	76,111		68,000	(g)	144,111
Other	40,587	107	6,693	(f)(g)	47,387
Goodwill	187,034		25,242	(i)	212,276
Other assets	14,770	45			14,815
Total other assets	318,502	253	99,935		418,690
TOTAL	814,965	13,582	100,903		929,450

See notes to unaudited pro forma combined condensed financial information.

(continued)

MERIT MEDICAL SYSTEMS, INC.
UNAUDITED PRO FORMA COMBINED
CONDENSED BALANCE SHEET
AS OF JUNE 30, 2016

(In thousands)	Historical				
LIABILITIES AND STOCKHOLDERS' EQUITY	**Merit Medical**	**DFINE**	**Pro Forma Adjustments**	**Notes**	**Pro Forma Combined**
CURRENT LIABILITIES:					
Trade payables	31,286	1,485			32,771
Accrued expenses	40,196	5,080	180	(a)(c)(d)(h)	45,456
Current portion of long-term debt	10,000				10,000
Advances from employees	473				473
Income taxes payable	3,138				3,138
Total current liabilities	85,093	6,565	180		91,838
LONG-TERM DEBT	221,719	24,908	72,592	(a)(c)	319,219
DEFERRED INCOME TAX LIABILITIES	11,024		10,973	(j)	21,997
LIABILITIES RELATED TO UNRECOGNIZED TAX BENEFITS	768				768
DEFERRED COMPENSATION PAYABLE	9,103				9,103
DEFERRED CREDITS	2,635				2,635
OTHER LONG-TERM OBLIGATIONS	4,633	295	(274)	(c)	4,654
Total liabilities	334,975	31,768	83,471		450,214
COMMITMENTS AND CONTINGENCIES					
STOCKHOLDERS' EQUITY:					
Preferred Stock		132,339	(132,339)	(b)	
Common Stock	200,015	28	(28)	(b)	200,015
Additional paid-in capital		4,452	(4,452)	(b)	
Retained earnings	285,405	(154,556)	153,802	(b)(n)	284,651
Accumulated other comprehensive loss	(5,430)	(449)	449	(b)	(5,430)
Total stockholders' equity	479,990	(18,186)	17,432		479,236
TOTAL	814,965	13,582	100,903		929,450

See notes to unaudited pro forma combined condensed financial information. (concluded)

MERIT MEDICAL SYSTEMS, INC.
UNAUDITED PRO FORMA COMBINED
CONDENSED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In thousands, except per share data)

	Historical		Pro Forma Adjustments	Notes	Pro Forma Combined
	Merit	DFINE			
NET SALES	$ 289,148	$ 17,414			$ 306,562
COST OF SALES	162,193	4,467	2,255	(f)(g)	168,915
GROSS PROFIT	126,955	12,947	(2,255)		137,647
OPERATING EXPENSES:					
Selling, general and administrative	85,358	15,515	(387)	(g)(l)	100,486
Research and development	22,116	2,782			24,898
Contingent consideration expense	193				193
Total operating expenses	107,667	18,297	(387)		125,577
INCOME (LOSS) FROM OPERATIONS	19,288	(5,350)	(1,868)		12,070
OTHER INCOME (EXPENSE):					
Interest income	25	12			37
Interest expense	(3,097)	(1,269)	(1,597)	(k)	(5,963)
Other income (expense) — net	(447)	1,378			931
Other income (expense) — net	(3,519)	121	(1,597)		(4,995)
INCOME (LOSS) BEFORE INCOME TAXES	15,769	(5,229)	(3,465)		7,075
INCOME TAX EXPENSE (BENEFIT)	4,128	50	(1,348)	(m)	2,830
NET INCOME (LOSS)	$ 11,641	$ (5,279)	$ (2,117)		$ 4,245
EARNINGS PER COMMON SHARE:					
Basic	$ 0.26				$ 0.10
Diluted	$ 0.26				$ 0.10
AVERAGE COMMON SHARES:					
Basic	44,297				44,297
Diluted	44,647				44,647

See notes to unaudited pro forma combined condensed financial information.

MERIT MEDICAL SYSTEMS, INC.
UNAUDITED PRO FORMA COMBINED
CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands, except per share data)

	Historical		Pro Forma Adjustments	Notes	Pro Forma Combined
	Merit	**DFINE**			
NET SALES	$ 542,149	$ 33,392			$ 575,541
COST OF SALES	306,368	8,422	4,534	(g)	319,324
GROSS PROFIT	235,781	24,970	(4,534)		256,217
OPERATING EXPENSES:					
Selling, general and administrative	156,348	31,764	931	(g)	189,043
Research and development	40,810	5,096			45,906
Contingent consideration expense	80				80
Acquired in-process research and development	1,000				1,000
Total operating expenses	198,238	36,860	931		236,029
INCOME (LOSS) FROM OPERATIONS	37,543	(11,890)	(5,465)		20,188
OTHER INCOME (EXPENSE):					
Interest income	272	5			277
Interest expense	(6,229)	(1,737)	(3,437)	(k)	(11,403)
Other income (expense) — net	(386)	1,136			750
Other expense — net	(6,343)	(596)	(3,437)		(10,376)
INCOME (LOSS) BEFORE INCOME TAXES	31,200	(12,486)	(8,902)		9,812
INCOME TAX EXPENSE (BENEFIT)	7,398	41	(3,463)	(m)	3,976
NET INCOME (LOSS)	$ 23,802	$ (12,527)	$ (5,439)		$ 5,836
EARNINGS PER COMMON SHARE:					
Basic	$ 0.54				$ 0.13
Diluted	$ 0.53				$ 0.13
AVERAGE COMMON SHARES:					
Basic	44,036				44,036
Diluted	44,511				44,511

See notes to unaudited pro forma combined condensed financial information.

1. BASIS OF PRESENTATION. On July 6, 2016, Merit Medical Systems, Inc. ("Merit") consummated the transactions contemplated by an Agreement and Plan of Merger by and among Merit, MMS Transaction Co., a wholly-owned subsidiary of Merit, DFINE Inc. ("DFINE"), certain preferred stockholders of DFINE and Shareholder Representative Services LLC as a stockholder representative, as seller, and purchased all of the issued and outstanding shares of DFINE (the "Acquisition"). The unaudited pro forma combined condensed financial statements are based on the Merit's historical consolidated financial statements and DFINE's historical financial statements, as adjusted to give effect to the July 6, 2016 acquisition of DFINE. The unaudited pro forma condensed combined balance sheet as of June 30, 2016 gives effect to the acquisition of DFINE as if it had occurred on June 30, 2016. The unaudited pro forma combined condensed statements of operations for the six months ended June 30, 2016 and the year ended December 31, 2015 give effect to the acquisition of DFINE as if it had occurred on January 1, 2015.

The unaudited pro forma combined condensed financial information has been prepared using the acquisition method of accounting, in accordance with ASC 805, *Business Combinations*, which requires, among other things, that the purchase price paid by the Company in connection with the acquisition be allocated to identifiable assets acquired based on the respective estimated fair values as of the acquisition date. The excess of the purchase price over the estimated fair values of the underlying identifiable assets acquired has been allocated to goodwill.

The process for estimating fair values in many cases requires the use of significant estimates, assumptions and judgments, including developing appropriate discount rates. The Company has engaged an independent third-party valuation firm to assist in determining the preliminary estimated fair values of identifiable intangible assets. Since these unaudited pro forma combined condensed financial statements have been prepared based on preliminary estimates of fair values using currently available information and certain assumptions, the actual amounts recorded may differ materially if additional information becomes available. The Company will finalize the purchase price allocation as soon as practicable within the measurement period, but not later than one year following the acquisition date. Acquisition related transaction costs are not included as a component of the purchase price and are expensed as incurred.

Certain amounts in DFINE's historical balance sheet and statements of operations have been reclassified to conform to Merit's presentation. These reclassifications include the following:

Unaudited pro forma combined condensed balance sheet as of June 30, 2016 (amounts in thousands)

- $107 has been reclassified from other assets to intangible assets - other.
- $132,339 has been reclassified from convertible preferred stock to stockholders' equity.

Unaudited pro forma combined condensed statements of operations (amounts in thousands)

- $12,130 and $23,578 has been reclassified from sales and marketing expense to selling, general and administrative expense for the six months ended June 30, 2016 and year ended December 31, 2015, respectively.
- $50 and $41 has been reclassified from other income (expense) net to income tax expense (benefit) for the six months ended June 30, 2016 and year ended December 31, 2015, respectively.
- $3,310 has been reclassified from litigation settlement expense to selling, general and administrative expense for the year ended December 31, 2015.

2. PURCHASE PRICE ALLOCATION. The acquisition of DFINE was accounted for under the acquisition method of accounting and the purchase price allocation was provisionally prepared during the third quarter of 2016. Merit has recorded provisional amounts for all of the assets acquired, based upon their estimated fair values at the date of the acquisition. These provisional amounts may be adjusted as necessary during the measurement period (up to one year from the acquisition date) while the accounting is finalized.

Merit made an initial payment of $97.5 million to DFINE on July 6, 2016. Additionally, Merit accrued approximately $578,000 at July 6, 2016, related to a final payment anticipated to be made to DFINE subject to review of DFINE net working capital by Merit and the preferred stockholders of DFINE. The total purchase price was preliminarily allocated as follows (in thousands):

Assets Acquired		
Trade receivables	$	4,215
Inventories		9,131
Prepaid expenses		463
Property and equipment		1,815
Other long-term assets		146
Intangibles		
Developed technology		68,000
Customer lists		2,400
Trademarks		4,400
Goodwill		25,242
Total assets acquired		115,812
Liabilities Assumed		
Trade payables		(1,485)
Accrued expenses		(5,682)
Deferred income tax liabilities - current		(603)
Deferred income tax liabilities - noncurrent		(10,973)
Other long-term liabilities		(21)
Total liabilities assumed		(18,764)
Net assets acquired, net of cash acquired of $1,030	$	97,048

With respect to the DFINE assets, Merit intends to amortize developed technology over fifteen years and customer lists on an accelerated basis over nine years. While U.S. trademarks can be renewed indefinitely, Merit currently estimates that it will generate cash flow from the acquired trademarks for a period of fifteen years from the acquisition date. The total weighted-average amortization period for these acquired intangible assets is 14.8 years.

3. ACQUISITION FINANCING. In connection with the transactions contemplated by the Merger Agreement, Merit entered into a Second Amended and Restated Credit Agreement, dated July 6, 2016 (the "Second Amended Credit Agreement"), with the lenders who are or may become party thereto (collectively, the "Lenders"), Wells Fargo Bank, National Association, as administrative agent (the "Agent"), swingline lender and a Lender, and Wells Fargo Securities, LLC, as sole lead arranger and sole bookrunner. The Second Amended Credit Agreement amends and restates in its entirety Merit's previously outstanding Amended and Restated Credit Agreement and all amendments thereto. In addition to Wells Fargo Bank, National Association, Bank of America, N.A., U.S. Bank, National Association, and HSBC Bank USA, National Association, are parties to the Second Amended Credit Agreement as Lenders. Pursuant to the terms of the Second Amended Credit Agreement, the Lenders have agreed to make a term loan in the amount of $150,000,000 and revolving credit loans up to an aggregate amount of $275,000,000, of which $25,000,000 will be reserved to making swingline loans from time to time

On July 1, 2021, all principal, interest and other amounts outstanding under the Second Amended Credit Agreement are payable in full. At any time prior to the maturity date, Merit may repay any amounts owing under all revolving credit loans and all swingline loans in whole or in part, without premium or penalty, other than breakage fees payable or "Eurocurrency Rate Loans." Revolving credit loans in dollars and term loans made under the Second Amended Credit Agreement bear interest, at the election of Merit, at either (i) the Base Rate (as defined in the Second Amended Credit Agreement) plus the Applicable Margin (as defined in the Second Amended Credit Agreement), or (ii) the Eurocurrency Rate (as defined in the Second Amended Credit Agreement) plus the Applicable Margin. Revolving credit loans denominated in an Alternative Currency (as defined in the Second Amended Credit Agreement) shall bear interest at the Eurocurrency Rate plus the Applicable Margin. Swingline loans bear interest at the Base Rate plus the Applicable Margin. Interest on each loan featuring the Base Rate is due and payable on the last business day of each calendar quarter commencing September 30, 2016; interest on each loan featuring the Eurocurrency Rate is due and payable on the last day of each interest period applicable thereto, and if such interest period extends over three months, at the end of each three-month interval during such interest period.

4. PRO FORMA ADJUSTMENTS. The following is a summary of pro forma adjustments reflected in the unaudited pro forma combined condensed financial information based on preliminary estimates, which may change as additional information is obtained:

(a) Reflects adjustment for the payment of $97.5 million in cash funded through refinancing of Merit debt and an additional accrual of approximately $578,000 related to a final payment due to DFINE for net working capital as specified in the Agreement and Plan of Merger.

(b) Eliminates the historical equity accounts of DFINE.

(c) Eliminates DFINE debt of approximately $24.9 million and the related short-term and long-term accrued interest of approximately $165,000 and $274,000 respectively, prepaid penalty fees of approximately $828,000 and warrant liability associated with DFINE's pre-acquisition indebtedness not assumed by Merit of approximately $81,000.

(d) Records preliminary fair value adjustments to acquired trade receivables, property and equipment, net, and accrued liabilities as of the acquisition date:

	Trade receivable	**Property and equipment, net**	**Accrued liabilities**
Fair value adjustments	(29)	(96)	767

(e) Adjusts DFINE’s inventory to estimated fair market value. Fair market value for raw materials was based on replacement cost and for finished goods and work-in-process is based on estimated selling price, less the costs to complete and dispose of the inventory while allowing for a reasonable economic profit allowance on the disposition. The costs of sales impact of the write-up of inventory to fair value has been excluded from the pro forma combined condensed statements of operations as it is a non-recurring item as inventory turns on average approximately two times per year.

(f) Eliminates DFINE's existing intangible assets of approximately $107,000 as of June 30, 2016 and amortization of intangible assets of approximately $13,000 for the six months ended June 30, 2016.

(g) Represents adjustments to record the fair value of intangibles of approximately $74.8 million. The fair value of identifiable intangible assets is determined primarily using the excess earnings method, with significant inputs, including estimates of revenue growth, gross margin, operating expenses and a discount rate of approximately 22%. The following table summarizes the estimated fair values of DFINE’s identifiable intangible assets and their estimated useful lives and uses a straight line method of amortization for developed technology and trademarks and an accelerated method of amortization for customer lists (in thousands). The allocation of the purchase price is preliminary based on information available as of the date of the unaudited pro forma combined condensed financial information.

	Estimated Fair Value	**Estimated Useful Life in Years**	**Annual 2015 Amortization Expense**	**Six months ended June 30, 2016 Amortization Expense**
Developed technology - StabiliT (1)	$ 52,900	15	$ 3,527	$ 1,764
Developed technology - STAR (1)	15,100	15	1,007	504
Trademarks (2)	4,400	15	293	147
Customer list (2)	2,400	9	638	266
	$ 74,800		$ 5,465	$ 2,681

(1) Included in cost of sales
(2) Included in selling, general and administrative expense

(h) Eliminates the accrued liability due to Merit in connection with prepayment of purchase consideration.

(i) Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets.

(j) Reflects estimated adjustments to net deferred taxes arising from the acquisition. Merit assumed a statutory rate of 38.9% when estimating the tax impacts of the acquisition, including deferred taxes for net operating losses, intangibles and goodwill. This adjustment also reflects the reversal of DFINES’s valuation allowance, which includes amounts for net operating losses that Merit believes will be utilized based on currently available information. However, these losses are subject to complex calculations and limitations and therefore the amounts actually recognized could change and such change could be material. The effective tax rate of the combined company could be significantly different than the rates assumed for purposes of preparing the unaudited pro forma combined condensed financial information for a variety of factors, including post-acquisition activities.

(k) Recognizes incremental interest expense related to long-term debt issued as a result of the Acquisition. On July 6, 2016, Merit entered into a pay-fixed, receive-variable interest rate swap having an initial notional amount of $150 million. As a result of the interest rate swap, interest expense was estimated based on a fixed rate of 3.25% and the acquisition price of $97.5 million financed through debt. Merit also included $390 thousand and $195 thousand of interest expense for the year ended December 31, 2015 and six months ended June 30, 2016, respectively, related to the amortization of long-term debt issuance costs attributable to amended Credit Agreement discussed in Note 3.

(l) Reflects the removal of acquisition-related transaction costs of $800,000 recorded by Merit in the historical condensed consolidated statement of income for the six months ended June 30, 2016.

(m) For purposes of determining the estimated income tax expense for adjustments reflected in the unaudited pro forma combined condensed statement of operations, a statutory rate of 38.9% has been used. The effective tax rate of the combined company could be significantly different than the rates assumed for purposes of preparing the unaudited pro forma combined condensed financial information for a variety of factors, including post-acquisition activities.

(n) Records Merit estimated transaction related expenses that have not been paid. These costs are not included in the unaudited pro forma combined condensed statements of operation because they are non-recurring. The adjustment does not include severance, restructuring or other costs that may result from the acquisition.

Financial advisory fees	$	1,164
Legal fees		340
Accounting fees		50
Estimated transaction costs		1,554
Incurred-to-date		(800)
Total remaining transaction costs	$	754