

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from _____ to _____

Commission file number: 001-36571

T2 Biosystems, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

101 Hartwell Avenue
Lexington, Massachusetts
(Address of principal executive offices)

20-4827488
(I.R.S. Employer
Identification No.)

02421
(Zip Code)

Registrant's telephone number, including area code: (781) 761-4646

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001	TTOO	The Nasdaq Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of October 29, 2021, the registrant had 165,967,924 shares of common stock outstanding.

T2 BIOSYSTEMS, INC.

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PART I.
FINANCIAL INFORMATION

Item 1. Financial Statements

T2 BIOSYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,047	\$ 16,793
Marketable securities	20,042	25,396
Accounts receivable	4,222	5,099
Inventories	4,822	3,636
Prepaid expenses and other current assets	3,327	2,660
Total current assets	54,460	53,584
Property and equipment, net	3,813	3,771
Operating lease right-of-use assets	10,052	11,034
Restricted cash	1,551	551
Marketable securities	—	10,002
Other assets	161	136
Total assets	\$ 70,037	\$ 79,078
Liabilities and stockholders' (deficit) equity		
Current liabilities:		
Accounts payable	\$ 2,616	\$ 2,058
Accrued expenses and other current liabilities	8,169	7,512
Deferred revenue	613	230
Total current liabilities	11,398	9,800
Notes payable	47,132	45,235
Operating lease liabilities, net of current portion	9,665	10,533
Deferred revenue, net of current portion	50	424
Derivative liability	—	1,010
Other liabilities	4,255	3,350
Commitments and contingencies (see Note 13)		
Stockholders' (deficit) equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding at September 30, 2021 and December 31, 2020	—	—
Common stock, \$0.001 par value; 400,000,000 shares authorized; 165,967,924 and 148,078,974 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	166	148
Additional paid-in capital	457,439	431,544
Accumulated other comprehensive income	4	9
Accumulated deficit	(460,072)	(422,975)
Total stockholders' (deficit) equity	(2,463)	8,726
Total liabilities and stockholders' (deficit) equity	\$ 70,037	\$ 79,078

See accompanying notes to condensed consolidated financial statements.

T2 BIOSYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue:				
Product revenue	\$ 4,306	\$ 3,757	\$ 12,634	\$ 5,843
Research revenue	—	—	—	11
Contribution revenue	3,122	1,488	8,444	4,488
Total revenue	7,428	5,245	21,078	10,342
Costs and expenses:				
Cost of product revenue	4,720	6,833	15,341	13,804
Research and development	6,384	3,782	16,448	12,348
Selling, general and administrative	8,536	5,266	21,983	17,226
Total costs and expenses	19,640	15,881	53,772	43,378
Loss from operations	(12,212)	(10,636)	(32,694)	(33,036)
Other income (expense):				
Interest income	6	1	18	2
Interest expense	(1,919)	(647)	(4,632)	(3,908)
Other income, net	163	27	211	53
Total other expense	(1,750)	(619)	(4,403)	(3,853)
Net loss	\$ (13,962)	\$ (11,255)	\$ (37,097)	\$ (36,889)
Net loss per share — basic and diluted	\$ (0.08)	\$ (0.08)	\$ (0.24)	\$ (0.33)
Weighted-average number of common shares used in computing net loss per share — basic and diluted	165,882,334	147,793,891	156,397,584	112,371,006
Other comprehensive loss:				
Net loss	\$ (13,962)	\$ (11,255)	\$ (37,097)	\$ (36,889)
Net unrealized gain (loss) on marketable securities arising during the period	—	(35)	9	(35)
Less: net realized gain on marketable securities included in net loss	—	(1)	(14)	(1)
Total other comprehensive loss, net of taxes	—	(36)	(5)	(36)
Comprehensive loss	\$ (13,962)	\$ (11,291)	\$ (37,102)	\$ (36,925)

See accompanying notes to condensed consolidated financial statements.

T2 BIOSYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
(In thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' (Deficit) Equity
	Shares	Amount				
Balance at December 31, 2019	50,651,535	\$ 51	\$ 342,121	\$ (376,177)	\$ —	\$ (34,005)
Stock-based compensation expense	—	—	1,160	—	—	1,160
Issuance of common stock from vesting of restricted stock	370,417	—	—	—	—	—
Issuance of common stock from secondary public offerings, net	68,150,678	68	40,029	—	—	40,097
Net loss	—	—	—	(14,949)	—	(14,949)
Balance at March 31, 2020	119,172,630	\$ 119	\$ 383,310	\$ (391,126)	\$ —	\$ (7,697)
Stock-based compensation expense	—	—	994	—	—	994
Issuance of common stock from vesting of restricted stock, exercise of stock options and employee stock purchase plan	407,183	—	180	—	—	180
Issuance of common stock from secondary public offering, net	8,881,466	9	12,811	—	—	12,820
Net loss	—	—	—	(10,685)	—	(10,685)
Balance at June 30, 2020	128,461,279	\$ 128	\$ 397,295	\$ (401,811)	\$ —	\$ (4,388)
Stock-based compensation expense	—	—	855	—	—	855
Issuance of common stock from exercise of stock options	5,083	—	4	—	—	4
Issuance of common stock from secondary offering, net	19,488,023	19	32,375	—	—	32,394
Other comprehensive loss	—	—	—	—	(36)	(36)
Net loss	—	—	—	(11,255)	—	(11,255)
Balance at September 30, 2020	147,954,385	\$ 147	\$ 430,529	\$ (413,066)	\$ (36)	\$ 17,574

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' (Deficit) Equity
	Shares	Amount				
Balance at December 31, 2020	148,078,974	\$ 148	\$ 431,544	\$ (422,975)	\$ 9	\$ 8,726
Stock-based compensation expense	—	—	1,308	—	—	1,308
Issuance of common stock from vesting of restricted stock and exercise of stock options	412,699	—	53	—	—	53
Other comprehensive income	—	—	—	—	7	7
Net loss	—	—	—	(10,660)	—	(10,660)
Balance at March 31, 2021	148,491,673	\$ 148	\$ 432,905	\$ (433,635)	\$ 16	\$ (566)
Stock-based compensation expense	—	—	1,843	—	—	1,843
Issuance of common stock from vesting of restricted stock, exercise of stock options and employee stock purchase plan	462,679	—	251	—	—	251
Issuance of common stock from secondary offering, net	16,809,424	17	19,951	—	—	19,968
Other comprehensive loss	—	—	—	—	(12)	(12)
Net loss	—	—	—	(12,475)	—	(12,475)
Balance at June 30, 2021	165,763,776	\$ 165	\$ 454,950	\$ (446,110)	\$ 4	\$ 9,009
Stock-based compensation expense	—	—	2,466	—	—	2,466
Issuance of common stock from vesting of restricted stock and exercise of stock options	204,148	1	23	—	—	24
Other comprehensive loss	—	—	—	—	—	—
Net loss	—	—	—	(13,962)	—	(13,962)
Balance at September 30, 2021	165,967,924	\$ 166	\$ 457,439	\$ (460,072)	\$ 4	\$ (2,463)

See accompanying notes to condensed consolidated financial statements.

T2 BIOSYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities		
Net loss	\$ (37,097)	\$ (36,889)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,000	1,323
Amortization of bond premium	114	—
Amortization of operating lease right-of-use assets	982	1,149
Stock-based compensation expense	5,617	3,009
Change in fair value of derivative instrument	(1,010)	(1,190)
Gain on sales of marketable securities	(14)	—
Gain on disposal of property and equipment	—	(2)
Impairment of operating lease asset	—	523
Impairment of property and equipment	—	636
Non-cash interest expense	2,803	2,345
Changes in operating assets and liabilities:		
Accounts receivable	877	(1,035)
Prepaid expenses and other assets	(692)	(1,458)
Inventories	(1,915)	723
Accounts payable	523	(1,281)
Accrued expenses and other liabilities	619	(1,099)
Deferred revenue	9	259
Operating lease liabilities	(848)	(1,478)
Net cash used in operating activities	(29,032)	(34,465)
Cash flows from investing activities		
Purchases of marketable securities	—	(50,462)
Proceeds from maturities of marketable securities	15,251	8,250
Proceeds from sale of property and equipment	—	4
Purchases and manufacture of property and equipment	(261)	(425)
Net cash provided by (used in) investing activities	14,990	(42,633)
Cash flows from financing activities		
Proceeds from issuance of shares from employee stock purchase plan and stock option exercises	328	184
Proceeds from issuance of common stock in public offerings, net of offering costs	19,968	85,311
Net cash provided by financing activities	20,296	85,495
Net increase in cash, cash equivalents and restricted cash	6,254	8,397
Cash, cash equivalents and restricted cash at beginning of period	17,344	11,213
Cash, cash equivalents and restricted cash at end of period	<u>\$ 23,598</u>	<u>\$ 19,610</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ 2,815</u>	<u>\$ 1,820</u>
Supplemental disclosures of noncash activities		
Transfer of T2 owned instruments and components (from) to inventory	<u>\$ (729)</u>	<u>\$ 693</u>
Purchases of property and equipment included in accounts payable and accrued expenses	<u>\$ 80</u>	<u>\$ 61</u>

	September 30, 2021	September 30, 2020
Reconciliation of cash, cash equivalents and restricted cash at end of period		
Cash and cash equivalents	\$ 22,047	\$ 19,059
Restricted cash	1,551	551
Total cash, cash equivalents and restricted cash	<u>\$ 23,598</u>	<u>\$ 19,610</u>

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**1. Nature of Business**

T2 Biosystems, Inc. and its subsidiary (the “Company,” “we,” or “T2”) have operations based in Lexington, Massachusetts. T2 Biosystems, Inc. was incorporated on April 27, 2006 as a Delaware corporation. The Company is an *in vitro* diagnostics company that has developed an innovative and proprietary technology platform that offers a rapid, sensitive and simple alternative to existing diagnostic methodologies. The Company is using its T2 Magnetic Resonance technology (“T2MR”) to develop a broad set of applications aimed at lowering mortality rates, improving patient outcomes and reducing the cost of healthcare by helping medical professionals make targeted treatment decisions earlier. T2MR enables rapid detection of pathogens, biomarkers and other abnormalities in a variety of unpurified patient sample types, including whole blood, plasma, serum, saliva, sputum, cerebral spinal fluid and urine, and can detect cellular targets at limits of detection as low as one colony forming unit per milliliter (“CFU/mL”). The Company’s initial development efforts target the detection of pathogens that cause sepsis, which is an area of significant unmet medical need in which existing therapies could be more effective with improved diagnostics. On September 22, 2014, the Company received market clearance from the U.S. Food and Drug Administration (“FDA”) for its first two products, the T2Dx® Instrument (the “T2Dx”) and T2Candida® Panel (“T2Candida”). On May 24, 2018, the Company received market clearance from the FDA for its T2Bacteria® Panel (“T2Bacteria”). On February 6, 2019, the FDA granted the Company’s T2Resistance™ Panel (“T2Resistance”) designation as a Breakthrough Device. On August 2, 2019, the Center for Medicare & Medicaid Services (CMS) granted approval for a New Technology Add-on Payment (NTAP) for the T2Bacteria Panel for fiscal year 2020 and CMS has subsequently extended the approval for fiscal years 2021 and 2022. On November 20, 2019, the Company’s T2Resistance Panel was granted a CE-Mark. On June 30, 2020, the Company announced the U.S. launch of its COVID-19 molecular diagnostic test, the T2SARS-CoV-2 Panel, after validation of the test meeting the FDA’s requirements for an Emergency Use Authorization (EUA). In August 2020, the FDA issued EUA for the Company’s T2SARS-CoV-2 Panel. The test is designed to detect the presence of the SARS-CoV-2 virus in a nasopharyngeal swab sample.

Liquidity and Going Concern

At September 30, 2021, the Company had cash, cash equivalents, marketable securities and restricted cash of \$43.6 million, an accumulated deficit of \$460.1 million, stockholders’ deficit of \$2.5 million, and has experienced cash outflows from operating activities over the past years. The future success of the Company is dependent on its ability to successfully commercialize its products, obtain regulatory clearance for and successfully launch its future product candidates, obtain additional capital and ultimately attain profitable operations. Historically, the Company has funded its operations primarily through its August 2014 initial public offering, its December 2015 public offering, its September 2016 private investment in public equity (“PIPE”) financing, its September 2017 public offering, its June 2018 public offering, its July 2019 establishment of an Equity Distribution Agreement and Equity Purchase Agreement (Note 7), its March 2021 establishment of an Equity Distribution Agreement (Note 7), private placements of redeemable convertible preferred stock and through debt financing arrangements.

The Company is subject to a number of risks similar to other early commercial stage life science companies, including, but not limited to commercially launching the Company’s products, development and market acceptance of the Company’s product candidates, development by its competitors of new technological innovations, protection of proprietary technology, and raising additional capital.

The COVID-19 pandemic has impacted and may continue to impact operations. The Company has established protocols for continued manufacturing, distribution and servicing of its products with safe social distancing and personal protective equipment measures and for remote work for certain employees not essential to on-site operations. To date these measures have been mostly successful but may not continue to function should the pandemic escalate and impact personnel. In 2020, the Company's hospital customers restricted the sales team's access to their facilities and as a result, the Company had significantly reduced sales and general and administrative staffing levels at the beginning of the COVID-19 pandemic to reduce expenses. The Company has since hired sales, marketing and medical and clinical affairs personnel. Although the Company did not see any material impact to accounts receivable during the period ended September 30, 2021, the Company's exposure may increase if its customers continue to be adversely affected by the COVID-19 pandemic, including as a result of the spread of variants of the virus. Customers may reduce their purchases of products, depending on their needs and cash flow, which could negatively impact revenue. The Company has a significant development contract with BARDA and should BARDA reduce, cancel or not grant additional milestone projects, the Company's ability to continue its future product development may be impacted. The ability of the Company's shipping carriers to deliver products to customers may be disrupted. The Company has reviewed its suppliers and quantities of key materials and believes that it has sufficient stocks and alternate sources of critical materials including personal protective equipment should the supply chains become disrupted, although raw materials and plastics for the manufacturing of reagents and consumables are in high demand, and interruptions in supply are difficult to predict. As further described in Note 5, at the onset of the pandemic, the Company believed the pandemic's impact on its sales would affect the recoverability of the value of T2-owned instruments and components. In early 2020, the COVID-19 pandemic also caused the Company to reassess its build plan and evaluate its inventories accordingly, which resulted in an additional charge to cost of product revenue for excess inventories.

Since FDA authorization was obtained to market the T2Dx Instrument, T2Candida Panel, and T2Bacteria Panel, and EUA was issued for the T2SARS-CoV-2 Panel, the Company has incurred significant commercialization expenses related to product sales, marketing, manufacturing and distribution. The Company may seek to fund its operations through public equity, private equity or debt financings, as well as other sources. However, the Company may be unable to raise additional funds or enter into such other arrangements when needed, on favorable terms, or at all. The Company's failure to raise capital or enter into such other arrangements if and when needed would have a negative impact on the Company's business, results of operations, financial condition and the Company's ability to develop and commercialize T2Dx, T2Candida, T2Bacteria, T2SARS-CoV-2, and other product candidates.

Pursuant to the requirements of Accounting Standards Codification ("ASC") 205-40, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.

While the Company believes that its cash, cash equivalents, marketable securities and restricted cash of \$43.6 million at September 30, 2021 will be sufficient to fund its current operating plan at least one year from issuance of these financial statements, certain elements of our operating plan cannot be considered probable. Under ASC 205-40, the future receipt of potential funding from Co-Development partners and other resources cannot be considered probable at this time because none of the plans are entirely within the Company's control.

The Term Loan Agreement with CRG Servicing LLC ("CRG") (Note 6) has certain covenants which require the Company to achieve certain annual revenue targets, whereby the Company is required to pay double the amount of any shortfall as an acceleration of principal payments, and maintain a minimum cash balance of \$5.0 million. In June 2021, the Company achieved the revenue target for the twenty-four month period ended December 31, 2021. While management believes the Company can continue as a going concern for at least one year from issuance of these financial statements, there can be no assurances that it will continue to be in compliance with the cash covenant in future periods without additional funding. The Company intends to continue to evaluate options to refinance the Term Loan Agreement, which becomes due on December 30, 2022. There can be no assurances that the Company will be able to refinance on terms favorable or at all. The amounts involved in any such transactions, individually or in the aggregate, may be material.

The Company's stock has been trading under \$1.00. Should the Company's stock continue to trade under \$1.00 through November 8, 2021, the Company is at risk of receiving a letter from The Nasdaq Stock Market LLC ("Nasdaq"), as that would be the thirtieth consecutive business day on which the Company's common stock will have closed below the minimum \$1.00 per share requirement for continued listing on the Nasdaq Global Market under Nasdaq Listing Rule 5450(a)(1). Under Nasdaq rules, the Company has 180 days to regain compliance by increasing the stock price to over \$1.00. Remediation plans could include requesting a reverse stock split of shareholders.

These conditions raise substantial doubt regarding the Company's ability to continue as a going concern for a period of one year after the date that the financial statements are issued. Management's plans to alleviate the conditions that raise substantial doubt include raising additional funding, earning payments pursuant to the Company's Co-Development agreements, delaying certain research projects and capital expenditures and eliminating certain future operating expenses in order to fund operations at reduced levels for the Company to continue as a going concern for a period of 12 months from the date the financial statements are issued. Management has concluded the likelihood that its plan to successfully obtain sufficient funding from one or more of these sources or adequately reduce expenditures, while reasonably possible, is less than probable. Accordingly, the Company has concluded that substantial doubt exists about the Company's ability to continue as a going concern for a period of at least 12 months from the date of issuance of these consolidated financial statements.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States GAAP as defined in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB"). The Company's condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, T2 Biosystems Securities Corporation. All intercompany balances and transactions have been eliminated.

Reclassification

Customer service personnel provide customer product support as well as field installation, training and T2Dx system maintenance. Time spent in the field servicing customers with service maintenance contracts and for installation and training is considered services and included in cost of goods sold. Time spent providing customer support is now considered a commercial support activity and is included in selling, general and administrative expenses. Previously, customer support was considered a development phase activity and was included in research and development expense. Prior periods have been reclassified to conform to the current period presentation. The reclassification increased selling, general and administrative expenses by \$0.2 million and decreased research and development expenses by \$0.2 million for the three months ended September 30, 2020. The reclassification increased selling, general and administrative expenses by \$0.5 million and decreased research and development expenses by \$0.5 million for the nine months ended September 30, 2020. The reclassification had no impact on total costs and expenses, loss from operations, net loss or net loss per share.

Unaudited Interim Financial Information

Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

The accompanying interim condensed consolidated balance sheet as of September 30, 2021, the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2021 and 2020, the condensed consolidated statements of stockholders' (deficit) equity for the three and nine months ended September 30, 2021 and 2020, the condensed consolidated statements of cash flows for the nine months ended September 30, 2021 and 2020 and the related financial data and other information disclosed in these notes are unaudited. The unaudited interim financial statements have been prepared on

the same basis as the audited annual financial statements, and, in the opinion of management, reflect all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the Company's financial position as of September 30, 2021, and the results of its operations for the three and nine months ended September 30, 2021 and 2020 and its cash flows for the nine months ended September 30, 2021 and 2020. The results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021, any other interim periods, or any future year or period.

Segment Information

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company views its operations and manages its business in one operating segment, which is the business of developing and, upon regulatory clearance, commercializing its diagnostic products aimed at lowering mortality rates, improving patient outcomes and reducing the cost of healthcare by helping medical professionals make targeted treatment decisions earlier.

Geographic Information

The Company sells its products domestically and internationally. Total international sales were approximately \$0.6 million or 9% of total revenue and \$0.6 million or 12% of total revenue for the three months ended September 30, 2021 and 2020, respectively. Total international sales were approximately \$1.6 million or 8% of total revenue and \$1.4 million or 13% of total revenue for the nine months ended September 30, 2021 and 2020, respectively.

For the three and nine months ended September 30, 2021 and 2020, no international customer represented greater than 10% of total revenue.

The Company derived approximately 42% of its total revenue from one customer for the three months ended September 30, 2021 and 28% of its total revenue from the same customer for the three months ended September 30, 2020. The Company derived approximately 14% of its total revenue from a second customer for the three months ended September 30, 2021 and 11% of its total revenue from the same customer for the three months ended September 30, 2020.

The Company derived approximately 40% of its total revenue from one customer for the nine months ended September 30, 2021 and 43% of its total revenue from the same customer for the nine months ended September 30, 2020. For the nine months ended September 30, 2021, the Company derived approximately 15% of its total revenue from a second customer. For the nine months ended September 30, 2020, no other customers represented greater than 10% of the Company's total revenue.

As of September 30, 2021 and December 31, 2020, the Company had outstanding receivables of \$0.6 million and \$0.5 million, respectively, from customers located outside of the U.S.

Net Loss Per Share

Basic net loss per share is calculated by dividing net loss by the weighted-average number of shares of common stock outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share is calculated by adjusting the weighted-average number of shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method. For purposes of the diluted net loss per share calculation, stock options and unvested restricted stock and restricted stock contingently issuable upon achievement of certain market conditions are considered to be common stock equivalents, but have been excluded from the calculation of diluted net loss per share, as their effect would be anti-dilutive for all periods presented. Therefore, basic and diluted net loss per share applicable to common stockholders was the same for all periods presented.

Marketable Securities

The Company's marketable securities typically consist of certificates of deposit and U.S. treasury securities, which are classified as available-for-sale and included in current and non-current assets. Available-for-sale debt securities are carried at fair value with unrealized gains and losses reported as a component of stockholders' (deficit) equity in accumulated other comprehensive income. Realized gains and losses, if any, are included in other income in the condensed consolidated statements of operations.

Available-for-sale securities are reviewed for possible impairment at least quarterly, or more frequently if circumstances arise that may indicate impairment. When the fair value of the securities declines below the amortized cost basis, impairment is indicated and it must be determined whether it is other than temporary. Impairment is considered to be other than temporary if the Company: (i) intends to sell the security, (ii) will more likely than not be forced to sell the security before recovering its cost, or (iii) does not expect to recover the security's amortized cost basis. If the decline in fair value is considered other than temporary, the cost basis of the security is adjusted to its fair market value and the realized loss is reported in earnings. Subsequent increases or decreases in fair value are reported as a component of stockholders' (deficit) equity in accumulated other comprehensive income. There were no other-than-temporary unrealized losses as of September 30, 2021.

The following table summarizes the Company's marketable securities at September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	\$ 20,038	\$ 4	\$ —	\$ 20,042
Total	<u>\$ 20,038</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 20,042</u>

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit	\$ 1,250	\$ 1	\$ —	\$ 1,251
U.S. treasury securities	34,139	8	—	34,147
Total	<u>\$ 35,389</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ 35,398</u>

The following table summarizes the maturities of the Company's marketable securities at September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than 1 year	\$ 20,038	\$ 20,042	\$ 25,387	\$ 25,396
Due in 1-2 years	—	—	10,002	10,002
Total	<u>\$ 20,038</u>	<u>\$ 20,042</u>	<u>\$ 35,389</u>	<u>\$ 35,398</u>

Guarantees

As permitted under Delaware law, the Company indemnifies its officers and directors for certain events or occurrences while each such officer or director is, or was, serving at the Company's request in such capacity. The term of the indemnification is the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make is unlimited; however, the Company has directors' and officers' liability insurance coverage that limits its exposure and enables the Company to recover a portion of any future amounts paid.

The Company leases office, laboratory and manufacturing space under noncancelable operating leases. The Company has standard indemnification arrangements under the leases that require it to indemnify the landlords against all costs, expenses, fines, suits, claims, demands, liabilities, and actions directly resulting from any breach, violation or nonperformance of any covenant or condition of the Company's leases.

In the ordinary course of business, the Company enters into indemnification agreements with certain suppliers and business partners where the Company has certain indemnification obligations limited to the costs, expenses, fines, suits, claims, demands, liabilities and actions directly resulting from the Company's gross negligence or willful misconduct, and in certain instances, breaches, violations or nonperformance of covenants or conditions under the agreements.

As of September 30, 2021 and December 31, 2020, the Company had not experienced any material losses related to these indemnification obligations, and no material claims with respect thereto were outstanding. The Company does not expect significant claims related to these indemnification obligations and, consequently, concluded that the fair value of these obligations is negligible, and no related reserves were established.

Leases

Pursuant to Topic 842, *Leases* (“ASC 842”), at the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present. Leases with a term greater than one year are recognized on the balance sheet as right-of-use assets, lease liabilities and long-term lease liabilities. The Company has elected not to recognize on the balance sheet leases with terms of one year or less. The exercise of lease renewal options is at our discretion and the renewal to extend the lease terms are not included in the Company’s right-of-use assets and lease liabilities as they are not reasonably certain of exercise. The Company will evaluate the renewal options and when they are reasonably certain of exercise, the Company will include the renewal period in its lease term. Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term. However, certain adjustments to the right-of-use asset may be required for items such as prepaid or accrued lease payments. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rates, which are the rates incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

In accordance with the guidance in ASC 842, components of a lease should be split into three categories: lease components (e.g. land, building, etc.), non-lease components (e.g. common area maintenance, consumables, etc.), and non-components (e.g. property taxes, insurance, etc.). Then the fixed and in-substance fixed contract consideration (including any related to non-components) must be allocated based on the respective relative fair values to the lease components and non-lease components.

The Company made the policy election to not separate lease and non-lease components. Each lease component and the related non-lease components are accounted for together as a single component.

Revenue Recognition

The Company generates revenue from the sale of instruments, consumable diagnostic tests, related services, reagent rental agreements and government contributions. Pursuant to ASC 606, *Revenue from Contracts with Customers* (“ASC 606”), the Company determines revenue recognition through the following steps:

- Identification of a contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations
- Recognition of revenue as a performance obligation is satisfied

The amount of revenue recognized reflects the consideration the Company expects to be entitled to receive in exchange for these goods and services.

Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company must deliver and which of these performance obligations are distinct. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Generally, the Company’s performance obligations are transferred to customers at a point in time, typically upon shipment, or over time, as services are performed.

Most of the Company’s contracts with distributors in geographic regions outside the United States contain only a single performance obligation, whereas most of the Company’s contracts with direct sales customers in the United States contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Excluded from the transaction price are sales tax and other similar taxes which are presented on a net basis.

Product revenue is generated by the sale of instruments and consumable diagnostic tests predominantly through the Company’s direct sales force in the United States and distributors in geographic regions outside the United States. The Company does not offer product return or exchange rights (other than those relating to defective goods under warranty) or price protection allowances to its customers, including its distributors. Payment terms granted to distributors are the same as those granted to end-user customers and payments are not dependent upon the distributors’ receipt of payment from their end-user customers.

The Company either sells instruments to customers and international distributors, or retains title and places the instrument at the customer site pursuant to a reagent rental agreement. When an instrument is purchased by a customer or international distributor, the Company recognizes revenue when the related performance obligation is satisfied (i.e. when the control of an instrument has passed to the customer; typically, at shipping point).

When the instrument is placed under a reagent rental agreement, the Company's customers generally agree to fixed term agreements, which can be extended, and incremental charges on each consumable diagnostic test purchased. Revenue from the sale of consumable diagnostic tests (under a reagent rental agreement) is generally recognized upon shipment. The transaction price from consumables purchases is allocated between the lease of the instrument (under a contingent rent methodology as provided for in ASC 842, *Leases*), and the consumables when related performance obligations are satisfied, as a component of lease and product revenue, and is included as Instrument Rentals in the below table. Revenue associated with reagent rental consumables purchases is currently classified as variable consideration and constrained until a purchase order is received and related performance obligations have been satisfied.

Revenue from the sale of consumable diagnostic tests (under instrument purchase agreements) is generally recognized upon shipment.

Shipping and handling costs billed to customers in connection with a product sale are recorded as a component of the transaction price and allocated to product revenue in the condensed consolidated statements of operations and comprehensive loss as they are incurred by the Company in fulfilling its performance obligations.

Direct sales of instruments include warranty, maintenance and technical support services typically for one year following the installation of the purchased instrument ("Maintenance Services"). Maintenance Services are separate performance obligations as they are service based warranties and are recognized on a straight-line basis over the service delivery period. After the completion of the initial Maintenance Services period, customers have the option to renew or extend the Maintenance Services typically for additional one-year periods in exchange for additional consideration. The extended Maintenance Services are also service based warranties that represent separate purchasing decisions. The Company recognizes revenue allocated to the extended Maintenance Services performance obligation on a straight-line basis over the service delivery period.

Fees paid to member-owned group purchasing organizations ("GPOs") are deducted from related product revenues.

The Company warrants that consumable diagnostic tests will be free from defects, when handled according to product specifications, for the stated life of the product. To fulfill valid warranty claims, the Company provides replacement product free of charge. Warranty expense is recognized based on the estimated defect rates of the consumable diagnostic tests.

Pursuant to ASU No. 2018-08, *Not-For-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), grants received, including cost reimbursement agreements, are assessed to determine if the agreement should be accounted for as an exchange transaction or a contribution. An agreement is accounted for as a contribution if the resource provider does not receive commensurate value in return for the assets transferred. Contribution revenue is recognized when all donor-imposed conditions have been met.

The Company has a significant development contract with BARDA and should BARDA reduce, cancel or not grant additional milestone projects, the Company's ability to continue our future product development may be impacted. Refer to Note 11 for further details regarding the development contract with BARDA.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers by type of products and services, as it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The following table disaggregates our revenue by major source (in thousands):

	Three Months Ended, September 30,		Nine Months Ended, September 30,	
	2021	2020	2021	2020
Product Revenue				
Instruments	\$ 522	\$ 1,402	\$ 1,427	\$ 1,819
Consumables	3,765	2,332	11,150	3,930
Instrument rentals	19	23	57	94
Total Product Revenue	4,306	3,757	12,634	5,843
Research Revenue	—	—	—	11
Contribution Revenue	3,122	1,488	8,444	4,488
Total Revenue	\$ 7,428	\$ 5,245	\$ 21,078	\$ 10,342

Remaining Performance Obligations

Under ASC 606, the Company is required to disclose the aggregate amount of the transaction price that is allocated to unsatisfied or partially satisfied performance obligations as of September 30, 2021. However, the guidance provides certain practical expedients that limit this requirement, and therefore, the Company has elected to not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. The nature of the excluded unsatisfied performance obligations pursuant to the practical expedient include consumable shipments, service contracts, warranties and installation services that will be performed within one year. The amount of the transaction price that is allocated to unsatisfied or partially satisfied performance obligations, that has not yet been recognized as revenue and that does not meet the elected practical expedient is \$0.4 million as of September 30, 2021. The Company expects to recognize 91% of this amount as revenue within one year and the remainder within two years.

Significant Judgments

Certain contracts with customers include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Once the performance obligations are determined, the Company determines the transaction price, which includes estimating the amount of variable consideration, based on the most likely amount, to be included in the transaction price, if any. The Company then allocates the transaction price to each performance obligation in the contract based on a relative standalone selling price method. The corresponding revenue is recognized as the related performance obligations are satisfied as discussed in the revenue categories above.

Judgment is required to determine the standalone selling price for each distinct performance obligation. The Company determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as a range of selling prices, market conditions and the expected costs and margin related to the performance obligations.

Contract Assets and Liabilities

The Company did not record any contract assets at September 30, 2021 and December 31, 2020.

The Company's contract liabilities consist of upfront payments for research and development contracts and maintenance services on instrument sales. Contract liabilities are classified in deferred revenue as current or noncurrent based on the timing of when revenue is expected to be recognized. Contract liabilities were \$0.6 million and \$0.6 million at September 30, 2021 and December 31, 2020, respectively. Revenue recognized during the three months ended September 30, 2021 relating to contract liabilities at December 31, 2020 was \$0.1 million and related to straight-line revenue recognition associated with maintenance agreements. Revenue recognized during the nine months ended September 30, 2021 relating to contract liabilities at December 31, 2020 was \$0.3 million and related to straight-line revenue recognition associated with maintenance agreements.

Cost to Obtain and Fulfill a Contract

The Company capitalizes commission expenses paid to sales personnel that are recoverable and incremental to obtaining capital purchase agreements within the United States. These costs are classified as prepaid expenses and other current assets and other assets, based on their current or non-current nature, respectively. The Company capitalizes only those costs that are determined to be incremental and would not have occurred absent the customer contract. These capitalized costs are amortized as selling, general and administrative costs on a straight line basis over the expected period of benefit. These costs are reviewed periodically for impairment.

At September 30, 2021, capitalized costs to fulfill contracts of \$0.1 million was included in prepaid and other current assets. At December 31, 2020, capitalized costs to fulfill contracts of \$0.1 million was included in prepaid and other current assets and \$0.1 million was included in other non-current assets.

Cost of Product Revenue

Cost of product revenue includes the cost of materials, direct labor and manufacturing overhead costs used in the manufacture of consumable diagnostic tests sold to customers, related warranty and license and royalty fees. Cost of product revenue also includes depreciation on T2-owned revenue generating T2Dx instruments that have been placed with customers under reagent rental agreements; costs of materials, direct labor and manufacturing overhead costs on the T2Dx instruments sold to customers; and other costs such as customer support costs, royalties and license fees, warranty and repair and maintenance expense on the T2Dx instruments that have been placed with customers under reagent rental agreements.

Research and Development Costs

Costs incurred in the research and development of the Company's product candidates are expensed as incurred. Research and development expenses consist of costs incurred in performing research and development activities, including activities associated with performing services under research revenue arrangements, costs associated with the enhancements of developed products and include salaries and benefits, stock compensation, research-related facility and overhead costs, laboratory supplies, equipment and contract services.

Recent Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

Accounting Standards Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes: Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The Company adopted ASU 2019-12 on January 1, 2021. The adoption did not have a material impact on the Company's financial statements.

Accounting Standards Issued, To Be Adopted

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)—Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which simplifies accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. The standard is effective for smaller reporting companies for fiscal years beginning after December 15, 2023 and interim periods within those fiscal years. The Company is currently evaluating the impact that this new standard will have on its financial statements.

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* ("ASU 2021-04") which clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after a modification or exchange. This standard is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply this standard prospectively to modifications or exchanges occurring on or after the effective date of this standard. The Company is currently evaluating the impact that this new standard will have on its financial statements.

3. Fair Value Measurements

The Company measures the following financial assets at fair value on a recurring basis. There were no transfers between levels of the fair value hierarchy during any of the periods presented. The following tables set forth the Company's financial assets and liabilities carried at fair value categorized using the lowest level of input applicable to each financial instrument as of September 30, 2021 and December 31, 2020 (in thousands):

	Balance at September 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
US Treasury securities	\$ 20,042	\$ 20,042	\$ —	\$ —
	<u>\$ 20,042</u>	<u>\$ 20,042</u>	<u>\$ —</u>	<u>\$ —</u>

	Balance at December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Certificates of deposit	\$ 1,251	\$ —	\$ 1,251	\$ —
US Treasury securities	34,147	34,147	—	—
	<u>\$ 35,398</u>	<u>\$ 34,147</u>	<u>\$ 1,251</u>	<u>\$ —</u>
Liabilities:				
Derivative liability	\$ 1,010	\$ —	\$ —	\$ 1,010
	<u>\$ 1,010</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,010</u>

The Company's cash equivalents and available-for-sale marketable securities are comprised of certificates of deposit and government securities. Securities are classified as cash equivalents when the original maturities are within 90 days of the purchase dates. The Company also maintains money market accounts classified as restricted cash for \$1.6 million at September 30, 2021 and \$0.6 million at December 31, 2020 (Note 4).

The Company has a single compound derivative related to its Term Loan Agreement with CRG (the "Term Loan Agreement") (Note 6), which is required to be re-measured at fair value on a quarterly basis.

The fair value of the derivative at December 31, 2020 is \$1.0 million and is classified as a non-current liability on the balance sheet at December 31, 2020 to match the classification of the related Term Loan Agreement (Note 6). In June 2021, the Company achieved the revenue covenant for the twenty-four month period beginning January 1, 2020 and has no derivative liability.

The following table provides a roll-forward of the fair value of the derivative liability (in thousands):

Balance at December 31, 2020	\$ 1,010
Change in fair value of derivative liability, recorded as interest expense	(1,010)
Balance at September 30, 2021	<u>\$ —</u>

4. Restricted Cash

The Company is required to maintain security deposits for its operating lease agreements for the duration of the lease agreements. At December 31, 2020, the Company had money market accounts for \$0.6 million, which represented collateral as security deposits for its operating lease agreements for two facilities. At September 30, 2021, the Company had money market accounts for \$1.6 million, which represented collateral as security deposits for its operating lease agreements for three facilities.

5. Supplemental Balance Sheet Information

Inventories

Inventories are stated at the lower of cost or net realizable value on a first-in, first-out basis and are comprised of the following (in thousands):

	September 30, 2021	December 31, 2020
Raw materials	\$ 2,098	\$ 1,496
Work-in-process	975	1,374
Finished goods	1,749	766
Total inventories, net	<u>\$ 4,822</u>	<u>\$ 3,636</u>

Property and Equipment

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

	September 30, 2021	December 31, 2020
Office and computer equipment	\$ 719	\$ 538
Software	783	762
Laboratory equipment	5,507	5,179
Furniture	197	197
Manufacturing equipment	1,425	672
Manufacturing tooling and molds	478	255
T2-owned instruments and components	5,730	5,001
Leasehold improvements	3,768	3,691
Construction in progress	369	1,733
	<u>18,976</u>	<u>18,028</u>
Less accumulated depreciation and amortization	(15,163)	(14,257)
Property and equipment, net	<u>\$ 3,813</u>	<u>\$ 3,771</u>

Construction in progress is primarily comprised of equipment that has not been placed in service. T2-owned instruments and components is comprised of raw materials and work-in-process inventory that are expected to be used or used to produce T2-owned instruments, based on the Company's business model and forecast, and completed instruments that will be used for internal research and development, clinical studies or reagent rental agreements with customers. At September 30, 2021, there was \$0.5 million of raw materials or work-in-process inventory in T2-owned instruments and components compared with \$0.3 million at December 31, 2020. Completed T2-owned instruments are placed in service once installation procedures are completed and are depreciated over five years. Depreciation expense for T2-owned instruments placed at customer sites pursuant to reagent rental agreements is recorded as a component of cost of product revenue and was immaterial for the three months ended September 30, 2021 and totaled approximately \$0.1 million for the three months ended September 30, 2020. Depreciation expense for T2-owned instruments placed at customer sites pursuant to reagent rental agreements is recorded as a component of cost of product revenue and totaled approximately \$0.1 million and \$0.3 million for the nine months ended September 30, 2021 and 2020, respectively.

Depreciation expense for T2-owned instruments used for internal research and development and clinical studies is recorded as a component of research and development expense. Depreciation and amortization expense of \$0.3 million and \$0.4 million was charged to operations for the three months ended September 30, 2021 and 2020, respectively. Depreciation and amortization expense of \$1.0 million and \$1.3 million was charged to operations for the nine months ended September 30, 2021 and 2020, respectively.

At the beginning of the COVID-19 pandemic, the Company believed the pandemic would reduce product sales and impair the ability to recover the cost of the T2-owned instruments and components. The Company assessed the impact on the related cash flows of the T2-owned instruments and reduced the respective carrying values by \$0.6 million as of June 30, 2020, which is recorded as cost of product revenue impairment expense.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2021	December 31, 2020
Accrued payroll and compensation	\$ 3,803	\$ 3,629
Accrued research and development expenses	1,012	751
Accrued professional services	447	421
Accrued interest	966	940
Operating lease liabilities	1,171	1,151
Other accrued expenses	770	620
Total accrued expenses and other current liabilities	<u>\$ 8,169</u>	<u>\$ 7,512</u>

Included within other accrued expenses in the table above, at December 31, 2020, is \$0.2 million from the Second Amendment to Employment Agreement with John McDonough (the "Transition Agreement") (Note 13) related to Mr. McDonough's

transition payments and health benefits. At September 30, 2021, there were no remaining payments associated with the Transition Agreement.

6. Notes Payable

Future principal payments on the notes payable are as follows (in thousands):

	September 30, 2021	December 31, 2020
Term loan agreement including PIK interest, before unamortized discount and issuance costs	\$ 49,364	\$ 48,077
Less: unaccrued paid-in-kind interest	(1,714)	(1,669)
Less: unamortized discount and deferred issuance costs	(518)	(1,173)
Total notes payable	<u>\$ 47,132</u>	<u>\$ 45,235</u>

The Term Loan Agreement with CRG is classified as a non-current liability at September 30, 2021 and December 31, 2020 as the Company has sufficient cash, cash equivalents and marketable securities as of the date of this filing such that the minimum liquidity covenant would not be triggered at December 31, 2021.

The Term Loan Agreement includes a subjective acceleration clause whereby an event of default, including a material adverse change in the business, operations, or conditions (financial or otherwise), could result in the acceleration of the obligations under the Term Loan Agreement. As amended in January 2021, the entire principal payment, together with all other outstanding obligations, shall be due and payable upon maturity, December 30, 2022.

The Company has assessed the classification of the note payable as non-current based on facts and circumstances as of the date of this filing, specifically as it relates to achieving the minimum liquidity and revenue covenants. In June 2021, the Company achieved the revenue covenant for the twenty-four month period beginning on January 1, 2020. Management continues to reassess at each balance sheet and filing date based on facts and circumstances and can provide no assurances regarding the probability of meeting its minimum liquidity covenant in future periods.

Term Loan Agreement

In December 2016, the Company entered into a Term Loan Agreement (the "Term Loan Agreement") with CRG. The Company initially borrowed \$40.0 million pursuant to the Term Loan Agreement, which has a six-year term with four years of interest-only payments (through December 30, 2020), after which quarterly principal and interest payments will be due through the December 30, 2022 maturity date. Interest on the amounts borrowed under the Term Loan Agreement accrues at an annual fixed rate of 11.5%, 3.5% of which may be deferred during the interest-only period by adding such amount to the aggregate principal loan amount. In addition, if the Company achieves certain financial performance metrics, the loan will convert to interest-only until the December 30, 2022 maturity, at which time all unpaid principal and accrued unpaid interest will be due and payable. The Company is required to pay CRG a financing fee based on the loan principal amount drawn. The Company is also required to pay a final payment fee of 8.0%, subsequently amended to 10%, of the principal outstanding upon repayment. The Company is accruing the final payment fee as interest expense and it is included as a non-current liability at September 30, 2021 and December 31, 2020 to conform to the classification of the associated debt in those periods.

The Company may prepay all or a portion of the outstanding principal and accrued unpaid interest under the Term Loan Agreement at any time upon prior notice subject to a certain prepayment fee during the first five years of the term and no prepayment fee thereafter. As security for its obligations under the Term Loan Agreement the Company entered into a security agreement with CRG whereby the Company granted a lien on substantially all of its assets, including intellectual property. The Term Loan Agreement also contains customary affirmative and negative covenants for a credit facility of this size and type, including a requirement to maintain a minimum cash balance of \$5.0 million. The Term Loan Agreement also requires the Company to achieve certain revenue targets, whereby the Company is required to pay double the amount of any shortfall as an acceleration of principal payments.

In 2019, the Term Loan Agreement was amended to reduce minimum revenue targets, extend the interest-only period and extend the principal repayment. The final payment fee was increased from 8% to 10% of the principal amount outstanding upon repayment. The Company issued to CRG warrants to purchase 568,291 shares of the Company's common stock ("New Warrants") (Note 9) at an exercise price of \$1.55, with typical provisions for termination upon a change of control or a sale of all or substantially all of the assets of the Company. The Company also reduced the exercise price for the warrants previously issued to CRG to purchase an aggregate of 528,958 shares of the Company's common stock to \$1.55. All of the New Warrants are exercisable any time prior to September 9, 2029, and all of the previously issued warrants are exercisable any time prior to December 30, 2026.

In January 2021, the Term Loan Agreement was amended to extend the interest-only payment period until the December 30, 2022 maturity, to extend the initial principal repayment until the December 30, 2022 maturity, and to significantly reduce the minimum product revenue target for the twenty-four month period beginning on January 1, 2020. The Company did not pay or provide any consideration in exchange for this amendment. The Company accounted for the January 2021 amendment as a modification to the Term Loan Agreement.

The Term Loan Agreement includes a subjective acceleration clause whereby an event of default, including a material adverse change in the business, operations, or conditions (financial or otherwise), could result in the acceleration of the obligations under the Term Loan Agreement. Under certain circumstances, a default interest rate of an additional 4.0% per annum will apply at the election of CRG on all outstanding obligations during the occurrence and continuance of an event of default.

7. Stockholders' (Deficit) Equity

Shares Authorized

In July 2021, the Company's shareholders approved of an increase in the number of authorized shares of the Company's common stock from 200,000,000 to 400,000,000.

Equity Distribution Agreement

On July 30, 2019, the Company entered into the Sales Agreement with Canaccord ("Original Sales Agreement"), as agent, pursuant to which the Company may offer and sell shares of common stock, for aggregate gross sale proceeds of up to \$30.0 million from time to time through Canaccord. On March 9, 2020, the Company entered into an amendment to the Original Sales Agreement to increase the aggregate gross sales amount from \$30.0 million to \$65.0 million. On April 8, 2020, the Company entered into an amendment to the Original Sales Agreement to increase the aggregate gross sales amount from \$65.0 million to \$95.0 million. As of December 31, 2020, the Company had sold 101,606,667 shares of common stock with an aggregate gross sales amount of \$95.0 million under the Original Sales Agreement.

On March 31, 2021, the Company entered into another Sales Agreement with Canaccord ("New Sales Agreement"), as agent, pursuant to which the Company may offer and sell shares of common stock, for aggregate gross sale proceeds of up to \$75.0 million from time to time from the effective date of the respective registration statement through Canaccord.

Under the New Sales Agreement, upon delivery of a placement notice based on the Company's instructions and subject to the terms and conditions of the Sales Agreement, Canaccord is able to sell the shares by methods deemed to be an "at the market" offering, subject to shelf limitations if any, in negotiated transactions at market prices prevailing at the time of sale or at prices related to such prevailing market prices, or by any other method permitted by law, including negotiated transactions, subject to the prior written consent of the Company. The Company is not obligated to make any sales of shares under the New Sales Agreement. The Company or Canaccord is able to suspend or terminate the offering of shares upon notice to the other party, subject to certain conditions. Canaccord acts as sales agent on a commercially reasonable efforts basis consistent with its normal trading and sales practices and applicable state and federal law, rules and regulations and the rules of Nasdaq.

The Company agrees to pay Canaccord for its services of acting as agent an amount equal to 3% of the gross proceeds from the sale of the shares pursuant to the New Sales Agreement. The Company also agrees to provide Canaccord with customary indemnification for certain liabilities. Legal and accounting fees are charged to share capital upon issuance of shares under the New Sales Agreement.

The Company sold no shares under the Original Sales Agreement in 2021. During the nine months ended September 30, 2020, the Company sold 96,120,167 shares under the Original Sales Agreement for net proceeds of \$85.0 million after expenses.

During the three months ended September 30, 2021, the Company sold no shares under the New Sales Agreement. The Company sold 16,809,424 shares under the New Sales Agreement for net proceeds of \$20.0 million during the nine months ended September 30, 2021.

Purchase Agreement

On July 29, 2019, the Company entered into a \$30.0 million Purchase Agreement with Lincoln Park, pursuant to which the Company was able to sell and issue to Lincoln Park, and Lincoln Park was obligated to purchase, up to \$30.0 million in value of its shares of common stock from time to time over a 36-month period starting from the effective date of the respective registration statement. On April 8, 2020, the Company terminated the Purchase Agreement.

The Company was able to direct Lincoln Park, at its sole discretion, and subject to certain conditions, to purchase up to 200,000 shares of common stock on any business day, provided that at least one business day had passed since the most recent purchase. The amount of a purchase could be increased under certain circumstances provided, however, that Lincoln Park's committed obligation under any single purchase would not exceed \$2.0 million. The purchase price of shares of common stock related to the future funding was based on the then prevailing market prices of such shares at the time of sales as described in the Purchase Agreement.

In consideration for the execution and delivery of the Purchase Agreement, the Company issued 413,349 shares of common stock to Lincoln Park.

During the nine months ended September 30, 2020, the Company sold 400,000 shares for proceeds of \$0.3 million in connection with the Purchase Agreement.

8. Stock-Based Compensation

Stock Incentive Plans

2006 Stock Incentive Plan

The Company's 2006 Stock Option Plan ("2006 Plan") was established for granting stock incentive awards to directors, officers, employees and consultants of the Company. Upon closing of the Company's IPO in August 2014, the Company ceased granting stock incentive awards under the 2006 Plan. The 2006 Plan provided for the grant of incentive and non-qualified stock options and restricted stock grants as determined by the Company's board of directors. Under the 2006 Plan, stock options were generally granted with exercise prices equal to or greater than the fair value of the common stock as determined by the board of directors, expired no later than 10 years from the date of grant, and vested over various periods not exceeding 4 years.

2014 Stock Incentive Plan

The Company's 2014 Incentive Award Plan ("2014 Plan", and together with the 2006 Plan, the "Stock Incentive Plans") provides for the issuance of shares of common stock in the form of stock options, awards of restricted stock, awards of restricted stock units, performance awards, dividend equivalent awards, stock payment awards and stock appreciation rights to directors, officers, employees and consultants of the Company. Since the establishment of the 2014 Plan, the Company has primarily granted stock options and restricted stock units. Generally, stock options are granted with exercise prices equal to or greater than the fair value of the common stock on the date of grant, expire no later than 10 years from the date of grant, and vest over various periods not exceeding 4 years.

The number of shares reserved for future issuance under the 2014 Plan is the sum of (1) 823,529 shares, (2) any shares that were granted under the 2006 Plan which are forfeited, lapse unexercised or are settled in cash subsequent to the effective date of the 2014 Plan and (3) an annual increase on the first day of each calendar year beginning January 1, 2015 and ending on January 1, 2026, equal to the lesser of (A) 4% of the shares outstanding (on an as-converted basis) on the final day of the immediately preceding calendar year and (B) such smaller number of shares determined by the Company's board of directors; provided, however, no more than 35,000,000 shares may be issued upon the exercise of incentive stock options. As of September 30, 2021, there were 2,724,847 shares available for future grant under the 2014 Plan.

Inducement Award Plan

The Company's Amended and Restated Inducement Award Plan ("Inducement Plan"), which was adopted in March 2018 and most recently amended and restated in January 2020, provides for the grant of equity awards to new employees, including options, restricted stock awards, restricted stock units, performance awards, dividend equivalent awards, stock payment awards and stock appreciation rights. The aggregate number of shares of common stock which may be issued or transferred pursuant to awards under the Inducement Plan is 5,625,000 shares. Any awards that forfeit, expire, lapse, or are settled for cash without the delivery of shares to the holder are available for the grant of an award under the Inducement Plan. Any shares repurchased by or surrendered to the Company that are returned shall be available for the grant of an award under the Inducement Plan. The payment of dividend equivalents in cash in conjunction with any outstanding award shall not be counted against the shares available for issuance under the Inducement Plan. As of September 30, 2021, there were 891,257 shares available for future grant under the Inducement Plan.

Stock Options

During the nine months ended September 30, 2021 and 2020, the Company granted stock options with an aggregate fair value of \$1.1 million and \$3.2 million, respectively, which are being amortized into compensation expense over the vesting period of the options as the services are being provided.

The following is a summary of option activity under the Stock Incentive Plans and Inducement Plan (in thousands, except share and per share amounts):

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
Outstanding at December 31, 2020	8,595,929	\$ 3.24	7.75	\$ 1,011
Granted	1,027,000	1.36		
Exercised	(78,709)	1.00		
Forfeited	(174,513)	2.27		
Cancelled	(41,794)	6.50		
Outstanding at September 30, 2021	9,327,913	\$ 3.05	7.18	\$ 370
Exercisable at September 30, 2021	5,459,936	\$ 4.25	6.19	\$ 170
Vested or expected to vest at September 30, 2021	8,763,935	\$ 3.17	7.08	\$ 340

There were 78,709 options exercised in the nine months ended September 30, 2021 and 15,083 options exercised in the nine months ended September 30, 2020. Included in exercisable at September 30, 2021 and vested or expected to vest at September 30, 2021 are 129,167 options that vested immediately upon Mr. McDonough's resignation from the Board. The weighted-average grant date fair values of stock options granted in the nine month periods ended September 30, 2021 and 2020 were \$1.10 per share and \$0.71 per share, respectively, and were calculated using the following estimated assumptions:

	Nine Months Ended September 30,	
	2021	2020
Weighted-average risk-free interest rate	0.92%	1.35%
Expected dividend yield	—%	—%
Expected volatility	104%	92%
Expected terms	6.0 years	5.9 years

The total fair values of options that vested during the nine months ended September 30, 2021 and 2020 were \$2.1 million and \$2.9 million, respectively.

As of September 30, 2021, there was \$3.7 million of total unrecognized compensation cost related to non-vested stock options granted under the Stock Incentive Plans and Inducement Plan. Total unrecognized compensation cost will be adjusted for future changes in the estimated forfeiture rate. The Company expects to recognize that cost over a remaining weighted-average period of 2.4 years as of September 30, 2021.

Restricted Stock Units

During the nine months ended September 30, 2021, the Company awarded restricted stock units to certain employees and directors at no cost to them. The restricted stock units, excluding any restricted stock units with market conditions, vest through the passage of time, assuming continued service. Restricted stock units are not included in issued and outstanding common stock until the underlying shares are vested and released. The fair value of the restricted stock units, at the time of the grant, is expensed on a straight

line basis. The granted restricted stock units had an aggregate fair value of \$13.4 million, which are being amortized into compensation expense over the vesting period of the restricted stock units as the services are being provided.

The following is a summary of restricted stock unit activity under the 2014 Plan:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at December 31, 2020	1,643,779	\$ 1.91
Granted	6,451,074	2.07
Vested	(722,037)	1.42
Forfeited	(644,263)	3.03
Nonvested at September 30, 2021	<u>6,728,553</u>	<u>\$ 2.01</u>

As of September 30, 2021, there was \$11.3 million of total unrecognized compensation cost related to nonvested restricted stock units granted under the 2014 Plan. Total unrecognized compensation cost will be adjusted for future changes in the estimated forfeiture rate. The Company expects to recognize that cost over a remaining weighted-average period of 2.3 years, as of September 30, 2021.

Included in the vested number of shares above are 81,967 shares that vested as a result of Mr. McDonough's resignation from the Board.

Employee Stock Purchase Plan

Under the 2014 Employee Stock Purchase Plan (the "2014 ESPP") participants may purchase the Company's common stock during semi-annual offering periods at 85% of the lower of (i) the market value per share of common stock on the first day of the offering period or (ii) the market value per share of the common stock on the purchase date. Each participant can purchase up to a maximum of \$25,000 per calendar year in fair market value as calculated in accordance with applicable tax rules. The first offering period began on August 7, 2014. Stock-based compensation expense from the 2014 ESPP for the three months ended September 30, 2021 and 2020 was approximately \$0.1 million. Stock-based compensation expense from the 2014 ESPP for the nine months ended September 30, 2021 and 2020 was approximately \$0.3 million and \$0.2 million, respectively.

The 2014 ESPP, which was amended and restated effective August 6, 2020, provides for the issuance of up to 4,523,944 shares of the Company's common stock to eligible employees. At September 30, 2021, there were 2,990,070 shares available for issuance under the 2014 ESPP.

Stock-Based Compensation Expense

The following table summarizes the stock-based compensation expense resulting from awards granted under Stock Incentive Plans, the Inducement Plan and the 2014 ESPP, that was recorded in the Company's results of operations for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of product revenue	\$ 40	\$ 33	\$ 211	\$ 164
Research and development	269	112	707	593
Selling, general and administrative	2,114	690	4,655	2,233
Total stock-based compensation expense	<u>\$ 2,423</u>	<u>\$ 835</u>	<u>\$ 5,573</u>	<u>\$ 2,990</u>

For the three and nine months ended September 30, 2021 and 2020, stock-based compensation expenses capitalized as part of inventory or T2Dx instruments and components were immaterial.

In July 2021, Mr. McDonough resigned as a director of the Company (Note 13). In conjunction with his resignation, all of Mr. McDonough's outstanding options vested in full and the exercise term was extended to the final expiration date for each respective outstanding option. Additionally, the non-vested restricted stock units granted to Mr. McDonough in June 2021 vested in full upon his resignation. These were accounted for as Type I equity modifications for the accelerated vesting and Type III equity modifications for the extended exercise period and resulted in an increase of \$0.8 million to stock-based compensation expense for the three and nine months ended September 30, 2021. Included within selling, general and administrative above for the three and nine months ended September 30, 2021 is \$0.6 million and \$0.2 million related to the Type I modification and the Type III modification, respectively, from Mr. McDonough's resignation.

9. Warrants

In connection with the Term Loan Agreement entered into in December 2016, the Company issued to CRG warrants to purchase a total of 528,958 shares of the Company's common stock. The warrants are exercisable any time prior to December 30, 2026 at a price of \$1.55 per share, with typical provisions for termination upon a change of control or a sale of all or substantially all of the assets of the Company. These warrants remain outstanding as of September 30, 2021 and December 31, 2020.

In connection with a 2019 amendment of the Term Loan Agreement, the Company issued to CRG warrants to purchase 568,291 shares of the Company's common stock ("New Warrants") at an exercise price of \$1.55, with typical provisions for termination upon a change of control or a sale of all or substantially all of the assets of the Company. All of the New Warrants are exercisable any time prior to September 9, 2029. The New Warrants remain outstanding as of September 30, 2021 and December 31, 2020.

10. Net Loss Per Share

The following shares were excluded from the calculation of diluted net loss per share applicable to common stockholders, prior to the application of the treasury stock method, because their effect would have been anti-dilutive for the periods presented:

	Three and Nine Months Ended September 30,	
	2021	2020
Options to purchase common shares	9,327,913	9,178,233
Restricted stock units	6,728,553	1,614,029
Warrants to purchase common stock	1,097,249	1,097,249
Total	17,153,715	11,889,511

11. Co-Development Agreements

U.S. Government Contract

In September 2019, the Biomedical Advanced Research and Development Authority ("BARDA") awarded the Company a milestone-based contract, with an initial value of \$6.0 million, and a potential value of up to \$69.0 million, if BARDA awards all contract options (the "U.S. Government Contract"). BARDA operates within the Office of the Assistant Secretary for Preparedness and Response ("ASPR") at the U.S. Department of Health and Human Services ("HHS"). If BARDA awards and the Company completes all options, the Company's management believes it will enable a significant expansion of the Company's current portfolio of diagnostics for sepsis-causing pathogen and antibiotic resistance genes. In September 2020, BARDA exercised the first contract option valued at \$10.5 million. In September 2021, BARDA exercised an option valued at approximately \$6.4 million.

In April 2021, BARDA agreed to accelerate product development by modifying the contract to advance future deliverables into the currently funded Option 1 of the BARDA contract for T2NxT, T2Biothreat, T2Resistance and T2AMR. The modification does not change the overall total potential value of the BARDA contract.

The Company recorded contribution revenue of \$3.1 million and \$1.5 million for the three months ended September 30, 2021 and 2020, respectively, under the BARDA contract. The Company recorded contribution revenue of \$8.4 million and \$4.5 million for the nine months ended September 30, 2021 and 2020 respectively.

12. Leases

Operating Leases

The Company leases certain office space, laboratory space and manufacturing space. At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present. The Company does not recognize right-of-use assets or lease liabilities for leases determined to have a term of 12 months or less. For new and amended leases, the Company has elected to account for the lease and non-lease components as a combined lease component.

In August 2010, the Company entered into an operating lease for office and laboratory space at its headquarters in Lexington, Massachusetts. The lease commenced in January 2011, with the Company providing a security deposit of \$400,000. In accordance with the operating lease agreement, the Company reduced its security deposit to \$160,000 in January 2018, which is recorded as restricted cash in the condensed consolidated balance sheets. In March 2017, the Company entered into an amendment to extend the term to December 2021. In October 2020, the Company entered into an amendment to extend the term to December 31, 2028. In accordance with the October 2020 amendment, the Company increased its security deposit to \$420,438, which is classified as restricted cash at September 30, 2021 and December 31, 2020. This amendment resulted in an increase to the operating lease right-of-use assets and lease liability accounts on the balance sheet of \$7.6 million and \$7.7 million, respectively, at December 31, 2020.

In May 2013, the Company entered into an operating lease for additional office, laboratory and manufacturing space in Wilmington, Massachusetts. In August 2018, the Company entered into an amendment to extend the term to December 2020. In October 2020, the Company entered into an amendment to extend the term to December 31, 2022. This amendment resulted in an increase to the operating lease right-of-use assets and lease liability accounts on the balance sheet of \$0.2 million at December 31, 2020.

In November 2014, the Company entered into an agreement to rent additional office space in Lexington, Massachusetts. In April 2015, the Company entered into an amendment to extend the term to December 31, 2017. In connection with this agreement, the Company paid a security deposit of \$50,000, which is recorded as a component of other assets in the condensed consolidated balance sheets. In May 2015, the Company entered into an amendment to expand existing manufacturing facilities in Lexington, Massachusetts. In September 2017, the Company entered into an amendment to extend the term to December 31, 2021. In June 2020, the Company vacated this office space and determined that subleasing it to a tenant was unlikely due to the impact of the COVID-19 pandemic on the local commercial real estate sub-lease market.

In November 2014, the Company entered into a lease for additional laboratory space in Lexington, Massachusetts. The lease term commenced in April 2015 and extended for six years. The rent expense, inclusive of the escalating rent payments, is recognized on a straight-line basis over the lease term. As an incentive to enter into the lease, the landlord paid approximately \$1.4 million of the \$2.2 million space build-out costs. The unamortized balance of the lease incentive as of January 1, 2019 was reclassified as a reduction to the initial recognition of the right-of-use asset related to this lease. In connection with this lease agreement, the Company paid a security deposit of \$281,000, which was recorded as a component of both prepaid expenses and other current assets and other assets in the condensed consolidated balance sheets at December 31, 2019. In October 2020, the Company entered into an amendment to extend the term of the lease to October 31, 2025. In accordance with this amendment, the Company paid a replacement security deposit of \$130,977, which is classified as restricted cash at September 30, 2021 and December 31, 2020 and received the initial \$281,000 security deposit in return.

In September 2021, the Company entered into a lease for office, research, laboratory and manufacturing space in Billerica, Massachusetts. The lease has a term of 126 months from the commencement date. The commencement date is anticipated to be in fiscal year 2022; therefore, there is no effect on the operating lease right-of-use assets and lease liability accounts at September 30, 2021. The Company opened a money market account for \$1.0 million, which represents collateral as a security deposit for this lease and is classified as restricted cash at September 30, 2021.

Operating leases are amortized over the lease term and included in costs and expenses in the condensed consolidated statement of operations and comprehensive loss. Variable lease costs are recognized in costs and expenses in the condensed consolidated statement of operations and comprehensive loss as incurred.

13. Commitments and Contingencies

Leases

Refer to Note 12, Leases, for discussion of the commitments associated with the Company's leases.

License Agreement

In 2006, the Company entered into a license agreement with a third party, pursuant to which the third party granted the Company an exclusive, worldwide, sublicenseable license under certain patent rights to make, use, import and commercialize products and processes for diagnostic, industrial and research and development purposes. The Company agreed to pay an annual license fee ranging from \$5,000 to \$25,000 for the royalty-bearing license to certain patents. The Company also issued a total of 84,678 shares of common stock pursuant to the agreement in 2006 and 2007, which were recorded at fair value at the date of issuance. The Company is required to pay royalties on net sales of products and processes that are covered by patent rights licensed under the agreement at a percentage ranging between 0.5% - 3.5%, subject to reductions and offsets in certain circumstances, as well as a royalty on net sales of products that the Company sublicenses at 10% of specified gross revenue. Royalties that became due under this agreement for the three and nine months ended September 30, 2021 and 2020 were immaterial.

Transition Agreement

On July 30, 2019, the Company announced that founding CEO John McDonough was named Executive Chairman of the Board until a successor is named at which time Mr. McDonough became non-executive Chairman of the Board. John Sperzel was named CEO in January 2020. In connection with John McDonough's transition to Non-Executive Chairman of the Board from CEO, the Company agreed to transition payments and health benefits to be paid over the 15-month period following Mr. Sperzel's start date. Accrued expenses included amounts related to Mr. McDonough's transition payments and health benefits of \$0.2 million at December 31, 2020. There were no accrued expenses related to Mr. McDonough's transition payments and health benefits at September 30, 2021.

Resignation of Board Member

In July 2021, John McDonough resigned as a director of the Company. He was a Class I director and Chairman of the Board. Upon his resignation, the Board appointed John Sperzel, the Company's CEO, as Chairman of the Board. In conjunction with his resignation, the Company paid Mr. McDonough \$240,000, which represented the aggregate cash retainer that he would have received for his service had he continued to serve through the second quarter of 2024. All of Mr. McDonough's outstanding options vested in full immediately prior to the resignation and can be exercised until the final expiration date set forth in each respective option agreement. The restricted stock units granted to Mr. McDonough on June 25, 2021 vested in full immediately prior to the resignation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, and Section 21E of the Securities and Exchange Act of 1934, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial position, business strategy, prospective products and product candidates, their expected performance and impact on healthcare costs, marketing clearance from the FDA, reimbursement for our product candidates, research and development costs, timing of regulatory filings, timing and likelihood of success, plans and objectives of management for future operations, availability of raw materials and components for our products, availability of funding for such operations and future results of anticipated products, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward looking statements are subject to numerous risks, including, without limitation, the following:

- *our ability to continue as a going concern;*
- *our status as an early commercial-stage company;*
- *our expectation to incur losses in the future;*
- *the market acceptance of our T2MR technology;*
- *our ability to timely and successfully develop and commercialize our existing products and future product candidates;*
- *the length and variability of our anticipated sales and adoption cycle;*
- *our relatively limited sales history;*
- *our ability to gain the support of leading hospitals and key thought leaders and publish the results of our clinical trials in peer-reviewed journals;*

- *our ability to successfully manage our growth;*
- *our future capital needs and our ability to raise additional funds;*
- *the performance of our diagnostics;*
- *our ability to compete in the highly competitive diagnostics market;*
- *our ability to obtain marketing clearance from the FDA or regulatory clearance for new product candidates in the United States or any other jurisdiction;*
- *impacts of and delays caused by future federal government shutdowns;*
- *federal, state, and foreign regulatory requirements, including diagnostic product reimbursements and FDA regulation of our products and product candidates;*
- *our ability to protect and enforce our intellectual property rights, including our trade secret-protected proprietary rights in T2MR;*
- *our ability to recruit, train and retain key personnel;*
- *our dependence on third parties;*
- *manufacturing and other product risks;*
- *the impact of the adoption of new accounting standards;*
- *the impact of cybersecurity risks, including ransomware, phishing, and data breaches on our information technology systems;*
- *the impact of short sellers and day traders on our share price;*
- *the impact of cost-cutting measures;*
- *unforeseen interruptions in our supply chain;*
- *our ability to maintain compliance with Nasdaq listing requirements;*
- *the Tax Cuts and Jobs Act of 2017 (Tax Reform) and the impact of future tax legislation;*
- *the impact of the COVID-19 pandemic on our business, results of operations and financial positions;*
- *the impact of changes to regulatory requirements, including the adoption of the In Vitro Diagnostics Regulations (IVDR) in the European Union; and*
- *the continued market demand for SARS-CoV-2 testing and our ability to convert T2SARS-CoV-2 customers to our other test panels.*

These forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q. Unless required by U.S. federal securities laws, we do not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made or to conform these statements to actual results. The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q, and Part I, Item 1A and Part II, Item 7A, “Risk Factors” and “Quantitative and Qualitative Disclosures about Market Risks”, respectively, in our Annual Report on Form 10-K for the year ended December 31, 2020, as updated by Part I, Item 3, “Quantitative and Qualitative Disclosures about Market Risks” and Part II, Item 1A—“Risk Factors” in this Quarterly Report on Form 10-Q.

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Business Overview

We are an in vitro diagnostics company and leader in the rapid detection of sepsis-causing pathogens directly in the blood of patients suspected of blood stream infections. We are dedicated to improving patient care and reducing the cost of care by helping clinicians effectively treat patients faster than ever before. We have developed an innovative and proprietary technology platform that offers a rapid, sensitive and simple to use alternative to existing diagnostic methodologies. We are using our T2MR technology to develop a broad set of applications aimed at providing accurate, specific and timely test results enabling medical professionals to make targeted treatment decisions earlier, thereby, lowering mortality rates, improving patient outcomes and reducing the cost of healthcare. T2MR enables rapid detection of pathogens, biomarkers and other abnormalities in a variety of unpurified patient sample types, including whole blood, plasma, serum, saliva, sputum and urine, and can detect cellular targets at limits of detection as low as one colony forming unit per milliliter, or CFU/mL. Our products include the T2Dx Instrument, the T2Candida Panel, the T2Bacteria Panel, the T2Resistance Panel, and the T2SARS-CoV-2 Panel that are all powered by our proprietary T2MR technology. The T2Candida and T2Bacteria Panels are the only FDA approved rapid molecular diagnostic tests that are able to directly identify specific sepsis causing pathogens in patient blood specimens without the need for blood culture. The T2Resistance Panel can further identify drug resistance markers within pathogens without the need for blood culture, to help tailor antibiotic therapy. Our ongoing development efforts target expanded detection of the pathogens associated with sepsis, an area of significant unmet medical need in which existing therapies could be more effective with more sensitive and rapid diagnostics.

On September 22, 2014, we received market clearance from the FDA for our first two products, the T2Dx[®] Instrument, or the T2Dx, and the T2Candida[®] Panel, or T2Candida, which have the ability to rapidly identify the five clinically relevant species of *Candida*, a fungal pathogen known to cause sepsis, directly from whole blood. On May 24, 2018, we received market clearance from the FDA for the T2Bacteria[®] Panel, or T2Bacteria, which runs on the T2Dx Instrument and has the ability to rapidly identify five of the most common and deadly sepsis-causing bacteria directly from whole blood. We have also developed and sell a research use only *Candida auris* assay, the T2Cauris[™] Panel, for the rapid identification of *Candida auris*, a species of *Candida* that is highly drug resistant. We have developed a T2Resistance[™] Panel for the early and sensitive detection of resistance markers, which can assist clinicians in selecting effective antibiotic treatment. The T2Resistance Panel received FDA Breakthrough Device designation in February 2019 and was granted a CE Mark in November 2019. An additional diagnostic application in development is the T2Lyme[™] Panel, or T2Lyme, which is focused on the detection of the bacteria that cause Lyme disease. Diagnostic applications for resistance markers were developed as part of a collaboration with CARB-X, a public-private partnership with the U.S. Department of Health and Human Services, or HHS, and the Wellcome Trust of London, focused on combatting antibiotic resistant bacteria. On August 2, 2019, the Centers for Medicare & Medicaid Services, or CMS, granted approval for a New Technology Add-on Payment (NTAP) for the T2Bacteria Panel for fiscal year 2020 and CMS has subsequently extended the approval for fiscal years 2021 and 2022. In September 2019, BARDA awarded us a milestone-based contract, with an initial value of \$6 million, and a potential value of up to \$69 million, for the development of new direct-from-blood diagnostic panels. In September 2020, we completed the initial phase and BARDA exercised the first contract option valued at \$10.5 million. In September 2021, BARDA exercised contract Option Two A valued at approximately \$6.4 million. In October 2021, we completed the first contract option. On June 30, 2020, we announced the U.S. launch of our COVID-19 molecular diagnostic test, the T2SARS-CoV-2 Panel, after validation of the test meeting the FDA's requirements for an EUA. In August 2020, the FDA issued EUA for the T2SARS-CoV-2 Panel. The test is designed to detect the presence of the SARS-CoV-2 virus in nasopharyngeal swab samples. The existing reimbursement codes support our products that detect the pathogens that cause sepsis and we anticipate the same for our Lyme disease product candidates. In 2020, CMS authorized Medicare fixed reimbursement to Clinical Laboratory Improvement Amendments, or CLIA, certified laboratories for materials and services to perform COVID testing. The T2SARS-CoV-2 Panel is covered under this reimbursement. The economic savings associated with our T2Bacteria and T2Candida products are realized directly by hospitals. In the United States, we have a commercial team that is primarily targeting acute care hospitals which treat patients at risk for sepsis-related infections. Internationally, we have partnered with distributors that target large hospitals in their respective international markets.

We believe our sepsis products, which include T2Candida, T2Bacteria, and T2Resistance, will redefine the standard of care in detection of sepsis causing pathogens and patient management, lowering healthcare costs by improving both the precision and the speed to detect sepsis-causing pathogens. Currently, high risk patients are typically initially treated with broad spectrum antibiotic drugs that typically cover approximately 60% of patients with infections. Of the remaining 40% of patients, approximately 30% of the patients typically have a bacterial infection and 10% typically have *Candida* infections. The speed to result of T2Candida and T2Bacteria coupled with their higher sensitivity and specificity as compared to blood culture helps clinicians escalate or confirm therapy for the identified pathogen, and deescalate treatment to reduce the overuse of ineffective, or even unnecessary, antimicrobial therapy, which may reduce side effects for patients, lower hospital costs and potentially counteract the growing resistance to antimicrobial therapy.

According to a 2013 study published in *Clinical Infectious Disease*, 50% of *Candida* infections are missed by conventional blood culture techniques. In studies published in 2016, 2018, and 2020, T2Candida was able to confirm the existence of fungal infections in hours vs. days, shorten overall length of stay, and significantly reduce prescriptions of antifungal therapy in patients that tested negative. Antifungal drugs are toxic and may result in side effects and can cost over \$50 per day.

A meta-analysis of 70 studies found antibiotic therapy prescribed in advance of blood culture results was inappropriate in 46.5% of patients. Reducing time to effective appropriate therapy results in significant reductions in overall length of stay of up to 8 days. A growing number of studies demonstrate clinical benefit of T2Bacteria Panel for early diagnosis of cases of blood stream infections that were being inappropriately treated with empiric antibiotics.

A meta-analysis of 14 studies published in Expert Review of Medical Devices, a peer-reviewed medical journal, confirmed the utilization of Magnetic Resonance (T2MR®) technology for identification of bloodstream infections (BSIs) provides faster time to detection, faster transition to targeted microbial therapy, faster de-escalation of empirical therapy, and shorter Intensive Care Unit (ICU) and hospital stay, and with comparable mortality rate versus the current blood culture standard. As identified by the meta-analysis, patients testing positive received targeted antimicrobial therapy 42 hours faster and patients testing negative on T2MR were de-escalated from empirical therapy 7 hours faster as compared to blood culture. Length of ICU stay and hospital stay were, on average, five days shorter in patients receiving a diagnosis with as compared to blood cultures.

The administration of inappropriate therapy is a driving force behind the spread of antimicrobial-resistant pathogens, which the United States Centers for Disease Control and Prevention, or the CDC, recently called “one of our most serious health threats.” In conjunction with empiric therapy, the addition of the use of our products, T2Bacteria, T2Candida, and T2Resistance, which all run on the T2Dx Instrument, enables clinicians to potentially treat 90% of patients with sepsis pathogen infections with the right targeted therapy within the first twelve hours of development of the symptoms of disease.

We have never been profitable and have incurred net losses in each year since inception. Our accumulated deficit at September 30, 2021 was \$460.1 million and we have experienced cash outflows from operating activities over the past years. Substantially all of our net losses resulted from costs incurred in connection with our research and development programs and from selling, general and administrative costs associated with our operations. We have incurred significant commercialization expenses related to product sales, marketing, manufacturing and distribution of our FDA-cleared products, the T2Dx Instrument, T2Candida Panel and T2Bacteria Panel. In addition, we will continue to incur significant costs and expenses as we continue to develop other product candidates, improve existing products and maintain, expand and protect our intellectual property portfolio. We may seek to fund our operations through public equity or private equity or debt financings, as well as other sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements if and when needed would have a negative impact on our business, results of operations and financial condition and our ability to develop, commercialize and drive adoption of the T2Dx Instrument, T2Candida, T2Bacteria, T2Resistance, T2SARS-CoV-2 and future T2MR-based diagnostics.

We are subject to a number of risks similar to other early commercial stage life science companies, including, but not limited to commercially launching our products, development and market acceptance of our product candidates, development by our competitors of new technological innovations, protection of proprietary technology, and raising additional capital.

The COVID-19 pandemic has impacted and may continue to impact our operations. We have established protocols for continued manufacturing, distribution and servicing of our products with safe social distancing and personal protective equipment measures and for remote work for employees not essential to on-site operations. To date these measures have been mostly successful but may not continue to function should the pandemic escalate and further impact our personnel. In 2020, our hospital customers restricted our sales team’s access to their facilities and as a result, we had significantly reduced our commercial and general and administrative staffing levels at the beginning of the COVID-19 pandemic to reduce expenses. We have since hired sales, marketing, and medical and clinical affairs personnel. Although we did not see any material impact to accounts receivable during the period ended September 30, 2021, our exposure may increase if our customers continue to be adversely affected by the COVID-19 pandemic, including as a result of the spread of variants of the virus. Customers may reduce their purchases of products, depending on their needs and cash flow, which could negatively impact revenue. Our customers may cease to comply with the terms of our sales agreements and this may impact our ability to recognize revenue and hinder receivables collections. We have a significant development contract with BARDA and should BARDA reduce, cancel or not grant additional milestone projects, our ability to continue our future product development may be impacted. Our shipping carrier’s ability to deliver our products to customers may be disrupted. We have reviewed our suppliers and quantities of key materials and believe we have sufficient stocks and alternate sources of critical materials should our supply chains become disrupted, although raw materials and plastics for the manufacturing of reagents and consumables are in high demand, and interruptions in supply are difficult to predict. At the onset of the pandemic, we believed that the pandemic’s impact on our sales would affect the recoverability of the value of our T2-owned instruments and components. In early 2020, the COVID-19 pandemic also caused us to reassess our build plan and evaluate our inventories accordingly, which resulted in an additional charge to cost of product revenue for excess inventories.

While we believe that our cash, cash equivalents, marketable securities and restricted cash of \$43.6 million at September 30, 2021 will be sufficient to fund our current operating plan at least a year from issuance of these financial statements, certain elements of our operating plan cannot be considered probable. Under ASC 205-40, the future receipt of potential funding from our Co-Development partners and other resources cannot be considered probable at this time because none of the plans are entirely within our control. During the year ended December 31, 2020, management implemented a cost improvement strategy which is focused on reducing operating expenses and improving cost of goods sold.

The Term Loan Agreement with CRG Servicing LLC (“CRG”) (Note 6) has certain covenants which require us to achieve certain annual revenue targets, whereby we are required to pay double the amount of any shortfall as an acceleration of principal payments, and maintain a minimum cash balance of \$5.0 million. In June 2021, we achieved the revenue covenant for the twenty-four month period beginning January 1, 2020. While we believe we can continue as a going concern for at least a year from issuance of these financial statements, there can be no assurances that we will continue to be in compliance with the cash covenant in future periods without additional funding. We intend to continue to evaluate options to refinance the Term Loan Agreement, which becomes due on December 30, 2022. There can be no assurances that we will be able to refinance on terms favorable or at all. The amounts involved in any such transactions, individually or in the aggregate, may be material.

Our stock has been trading under \$1.00. Should our stock continue to trade under \$1.00 through November 8, 2021, we are at risk of receiving a letter from The Nasdaq Stock Market LLC (“Nasdaq”) as that would be the thirtieth consecutive business day on which our common stock will have closed below the minimum \$1.00 per share requirement for continued listing on the Nasdaq Global Market under Nasdaq Listing Rule 5450(a)(1). Under Nasdaq rules, we have 180 days to regain compliance by increasing the stock price to over \$1.00. Remediation plans could include requesting a reverse stock split of shareholders.

These conditions raise substantial doubt regarding our ability to continue as a going concern for a period of one year after the date that the financial statements are issued. Management's plans to alleviate the conditions that raise substantial doubt include raising additional funding, earning payments pursuant to our Co-Development agreements, delaying certain research projects and capital expenditures and eliminating certain future operating expenses in order to fund operations at reduced levels for us to continue as a going concern for a period of 12 months from the date the financial statements are issued. Management has concluded the likelihood that its plan to successfully obtain sufficient funding from one or more of these sources or adequately reduce expenditures, while reasonably possible, is less than probable. Accordingly, we have concluded that substantial doubt exists about our ability to continue as a going concern for a period of at least 12 months from the date of issuance of these consolidated financial statements.

T2SARS-CoV-2

On March 24, 2020, we announced that we had licensed certain technology for the development of a rapid test for COVID-19 from the Center for Discovery and Innovation (“CDI”) at Hackensack Meridian Health. Under this license agreement, T2 Biosystems is authorized to use the CDI technology and adapt the CDI-developed COVID-19 test to the T2 Biosystems platform, and market and distribute the test in places of need amid the expanding pandemic. On June 30, 2020, we announced the US launch of our COVID-19 molecular diagnostic test, the T2SARS-CoV-2 Panel, after validation of the test meeting the FDA's requirements for an EUA. On July 1, 2020, we submitted an EUA request to the FDA for the T2SARS-CoV-2 Panel. In August 2020, the FDA issued EUA for our T2SARS-CoV-2 Panel.

The T2SARS-CoV-2 Panel is designed to detect SARS-CoV-2, the virus that is responsible for COVID-19 infections. The T2SARS-CoV-2 Panel provides sample-to-answer results in less than two hours, utilizing a nasopharyngeal swab sample. Clinical testing on known positive and negative patient samples showed a sensitivity of 95% and specificity of 100%. The T2SARS-CoV-2 Panel runs on our FDA-cleared T2Dx Instrument, and is capable of performing seven tests simultaneously. Continued *in silico* analysis of available SARS-CoV-2 sequences have demonstrated that the T2SARS-CoV-2 assay is capable of detecting all known variants of the SARS-CoV-2 virus, including the Delta, Mu and Iota variants.

Clinical data from Wuhan, China showed that for COVID-19 patients, bacterial and fungal co-infections are a significant burden with 71% of patients treated for potential bacterial infections and 15% treated for potential fungal infections. Given the high incidence of bacterial and fungal secondary/co-infections, we believe the T2 Biosystems technology has the potential to address the diagnostic needs of COVID-19 patients by enabling accurate and timely identification of these secondary/ co- infections associated with SARS-CoV-2 infection and detecting the virus directly. Taken together, these capabilities have the potential to enable clinicians to diagnose and target therapy for patients with bacterial or fungal secondary and co-infections associated with COVID-19 infections.

Financial Overview

Revenue

We generate revenue from the sale of our products, related services, reagent rental agreements and government contributions.

Grants received, including cost reimbursement agreements, are assessed to determine if the agreement should be accounted for as an exchange transaction or a contribution. An agreement is accounted for as a contribution if the resource provider does not receive commensurate value in return for the assets transferred.

Product revenue is generated by the sale of instruments and consumable diagnostic tests predominantly through our direct sales force in the United States and distributors in geographic regions outside the United States. We do not offer product return or exchange rights (other than those relating to defective goods under warranty) or price protection allowances to its customers, including its distributors. Payment terms granted to distributors are the same as those granted to end-user customers and payments are not dependent upon the distributors' receipt of payment from their end-user customers. We either sell instruments to customers and international distributors, or retain title and place the instrument at the customer site pursuant to a reagent rental agreement. When the instrument is placed under a reagent rental agreement, our customers generally agree to fixed term agreements, which can be extended, and incremental charges on each consumable diagnostic test purchased. Shipping and handling costs are billed to customers in connection with a product sale.

Fees paid to member-owned group purchasing organizations ("GPOs") are deducted from related product revenues.

Direct sales of instruments include warranty, maintenance and technical support services typically for one year following the installation of the purchased instrument ("Maintenance Services"). Maintenance Services are separate performance obligations as they are service based warranties and are recognized on a straight-line basis over the service delivery period. After the completion of the initial Maintenance Services period, customers have the option to renew or extend the Maintenance Services typically for additional one-year periods in exchange for additional consideration. The extended Maintenance Services are also service based warranties that represent separate purchasing decisions.

We warrant that consumable diagnostic tests will be free from defects, when handled according to product specifications, for the stated life of the product. To fulfill valid warranty claims, we provide replacement product free of charge.

Our current sales strategy is to drive adoption of our test platform installed base in hospitals, to increase test use by our existing hospital customers, and to expand T2SARS-CoV-2 customers to sepsis testing. Accordingly, we expect the following to occur:

- recurring revenue from our consumable diagnostic tests will increase; and
- become a more predictable and significant component of total revenue; and
- we will gain manufacturing economies of scale through the growth in our sales, resulting in improving gross margins and operating margins.

We believe the COVID-19 pandemic hindered our U.S. and international sales growth. Our customers may cease to comply with the terms of our sales agreements and this may impact our ability to recognize revenue and hinder receivables collections. We have a significant development contract with BARDA and should BARDA reduce, cancel or not grant additional milestone projects, our ability to continue our future product development may be impacted.

Cost of Product Revenue

Cost of product revenue includes the cost of materials, direct labor and manufacturing overhead costs used in the manufacture of our consumable diagnostic tests sold to customers and related license and royalty fees. Cost of product revenue also includes depreciation on the revenue-generating T2Dx instruments that have been placed with our customers under reagent rental agreements; costs of materials, direct labor and manufacturing overhead costs on the T2Dx instruments sold to customers; and other costs such as customer support costs, warranty and repair and maintenance expense on the T2Dx instruments that have been placed with our customers under reagent rental agreements. We manufacture the T2Dx instruments and part of our consumable diagnostic tests in our facilities. We outsource the manufacturing of components of our consumable diagnostic tests to contract manufacturers.

We expect cost of product revenue to decrease as a percentage of revenue as a result of the cost of product revenue improvement initiatives that we initiated during the year ended December 31, 2020.

At the beginning of the COVID-19 pandemic, we believed that the pandemic would reduce product sales and impair our ability to recover the cost of our T2-owned instruments and components. We assessed the impact on the related cash flows of the instruments and reduced their carrying values by \$0.6 million during the quarter ended March 31, 2020, which was recorded as cost of product revenue impairment expense. We took an additional charge to cost of product revenue during the quarter ended March 31, 2020 primarily for excess inventories as the COVID-19 pandemic also caused us to reassess our build plan and evaluate our inventories accordingly.

Research and development expenses

Our research and development expenses consist primarily of costs, incurred for the development of our technology and product candidates, technology improvements and enhancements, clinical trials to evaluate the clinical utility of our product candidates, and laboratory development and expansion, and include salaries and benefits, including stock-based compensation, research-related facility and overhead costs, laboratory supplies, equipment and contract services. Research and development expenses also include costs of delivering products or services associated with research and contribution revenue. We expense all research and development costs as incurred.

We anticipate our overall research and development expenses remain consistent or increase in support of increased activity under the BARDA agreement. We expect to continue developing additional product candidates, improving existing products, and conducting ongoing and new clinical trials. We have a significant development contract with BARDA and should BARDA reduce, cancel or not grant additional milestone projects, our ability to continue our future product development may be impacted.

Customer service personnel provide customer product support as well as field installation, training and T2Dx system maintenance. Time spent in the field servicing customers with service maintenance contracts and for installation and training is considered services and included in cost of goods sold. Time spent providing customer support is now considered a commercial support activity and is included in selling, general and administrative expenses. Previously, customer support was considered a development phase activity and was included in research and development expense. Prior periods have been reclassified to conform to the current period presentation. The reclassification increased selling, general and administrative expenses by \$0.2 million and decreased research and development expenses by \$0.2 million for the three months ended September 30, 2020. The reclassification increased selling, general and administrative expenses by \$0.5 million and decreased research and development expenses by \$0.5 million for the nine months ended September 30, 2020. The reclassification had no impact on total costs and expenses, loss from operations, net loss or net loss per share.

Selling, general and administrative expenses

Selling, general and administrative expenses consist primarily of costs for our sales and marketing, finance, legal, human resources, business development and general management functions, as well as professional services, such as legal, consulting and accounting services. We expect selling, general and administrative expenses to decrease as a percentage of revenue in future periods. Other selling, general and administrative expenses include facility-related costs, fees and expenses associated with obtaining and maintaining patents, clinical and economic studies and publications, marketing expenses, and travel expenses. We expense the majority of selling, general and administrative expenses as incurred.

As noted under research and development expenses, the reclassification of customer support increased selling, general and administrative expenses by \$0.2 million and decreased research and development expenses by \$0.2 million for the three months ended September 30, 2020 and increased selling, general and administrative expenses by \$0.5 million and decreased research and development expenses by \$0.5 million for the nine months ended September 30, 2020.

Interest income

Interest income consists of interest earned on our cash and cash equivalents.

Interest expense

Interest expense consists primarily of interest expense on our notes payable, changes in fair value of our derivative liability and the amortization of deferred financing costs and debt discount.

Other income, net

Other income, net, consists of dividend and other investment income.

Critical Accounting Policies and Use of Estimates

We have prepared our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States. Our preparation of these condensed consolidated financial statements requires us to make estimates, assumptions, and judgments that affect the reported amounts of assets, liabilities, expenses, and related disclosures at the date of the condensed consolidated financial statements, as well as revenue and expenses recorded during those periods. We evaluated our estimates and judgments on an ongoing basis. We based our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could therefore differ materially from these estimates under different assumptions or conditions.

The items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2020 remained materially consistent. For a description of those critical accounting policies, please refer to our Annual Report on Form 10-K filing for the year ended December 31, 2020.

Results of Operations for the Three Months Ended September 30, 2021 and 2020

	Three Months Ended September 30,		Change
	2021	2020	
	(in thousands)		
Revenue:			
Product revenue	\$ 4,306	\$ 3,757	\$ 549
Contribution revenue	3,122	1,488	1,634
Total revenue	7,428	5,245	2,183
Costs and expenses:			
Cost of product revenue	4,720	6,833	(2,113)
Research and development	6,384	3,782	2,602
Selling, general and administrative	8,536	5,266	3,270
Total costs and expenses	19,640	15,881	3,759
Loss from operations	(12,212)	(10,636)	(1,576)
Other income (expense):			
Interest income	6	1	5
Interest expense	(1,919)	(647)	(1,272)
Other income, net	163	27	136
Total other expense	(1,750)	(619)	(1,131)
Net loss	\$ (13,962)	\$ (11,255)	\$ (2,707)

Product revenue

Product revenue was \$4.3 million for the three months ended September 30, 2021 compared to \$3.8 million for the three months ended September 30, 2020, an increase of \$0.5 million, which was driven by higher consumables sales of \$1.4 million primarily from our T2SARS-CoV-2 Panel which we started selling in the third quarter of 2020, as well as higher sales from our T2Bacteria and T2Candida Panels, offset by lower T2Dx sales of \$0.9 million as T2Dx sales increased in the quarters immediately following the release of our T2SARS-CoV-2 Panel.

Contribution revenue

Contribution revenue relates to our BARDA agreement and was \$3.1 million for the three months ended September 30, 2021, compared to \$1.5 million for the three months ended September 30, 2020. The increase of \$1.6 million was due to increased contract activity.

Cost of product revenue

Cost of product revenue was \$4.7 million for the three months ended September 30, 2021, compared to \$6.8 million for the three months ended September 30, 2020, a decrease of \$2.1 million. The decrease in cost was driven by \$2.1 million from lower T2Dx sales, \$0.3 million of decreased costs due to the effect of higher costs in 2020 as a result of the change in build plan and manufacturing efficiencies and \$0.1 million of lower shipping related expenses, partially offset by \$0.3 million from higher consumable sales primarily from T2SARS-CoV-2 and \$0.1 million of increased quality control testing.

Research and development expenses

Research and development expenses were \$6.4 million for the three months ended September 30, 2021, compared to \$3.8 million for the three months ended September 30, 2020, an increase of \$2.6 million. The increase was driven by \$0.8 million of higher payroll related expenses due to increased headcount, increased lab and facility expenses of \$0.6 million - primarily for our BARDA agreement partially offset by a decrease in T2SARS-CoV-2 expenses, \$0.5 million of increased BARDA consulting expenses, \$0.4 million of increased IT support, and \$0.4 million higher of materials cost, partially offset by \$0.1 million of decreased clinical related expenses for assay development.

Selling, general and administrative expenses

Selling, general and administrative expenses were \$8.5 million for the three months ended September 30, 2021, compared to \$5.3 million for the three months ended September 30, 2020, an increase of \$3.2 million. The increase was driven by an increase in stock based compensation expenses of \$1.4 million due to the Type I and Type III modifications from Mr. McDonough's resignation and increased headcount, an increase in payroll related expenses of \$0.6 million due to increased headcount, \$0.5 million of increased marketing research and tradeshow and conference expenses, \$0.4 million of increased IT support, \$0.2 million of increased director fees primarily from to the payment associated with Mr. McDonough's resignation, and \$0.1 million of increased travel due to less domestic COVID-19 travel restrictions.

Interest income

Interest income was immaterial for the three months ended September 30, 2021 and 2020.

Interest expense

Interest expense, was \$1.9 million for the three months ended September 30, 2021, compared to \$0.6 million for the three months ended September 30, 2020, an increase of \$1.3 million. Interest expense increased by \$1.3 million primarily due to the interest and the change in fair value of the derivative and the amortization of the debt discount associated with the CRG Term Loan Agreement.

Other income, net

Other income, net, was \$0.1 million for the three months ended September 30, 2021, compared to an immaterial amount for the three months ended September 30, 2020. The \$0.1 million increase is immaterial.

Results of Operations for the Nine Months Ended September 30, 2021 and 2020

	Nine Months Ended September 30,		Change
	2021	2020	
(in thousands)			
Revenue:			
Product revenue	\$ 12,634	\$ 5,843	\$ 6,791
Research revenue	—	11	(11)
Contribution revenue	8,444	4,488	3,956
Total revenue	21,078	10,342	10,736
Costs and expenses:			
Cost of product revenue	15,341	13,804	1,537
Research and development	16,448	12,348	4,100
Selling, general and administrative	21,983	17,226	4,757
Total costs and expenses	53,772	43,378	10,394
Loss from operations	(32,694)	(33,036)	342
Other income (expense):			
Interest income	18	2	16
Interest expense	(4,632)	(3,908)	(724)
Other income, net	211	53	158
Total other expense	(4,403)	(3,853)	(550)
Net loss	\$ (37,097)	\$ (36,889)	\$ (208)

Product revenue

Product revenue was \$12.6 million for the nine months ended September 30, 2021 compared to \$5.8 million for the nine months ended September 30, 2020, an increase of \$6.8 million. The increase was driven primarily by higher consumables revenue of \$7.3 million - primarily from our T2SARS-CoV-2 Panel which we started selling in the third quarter of 2020, as well as higher sales from our T2Bacteria and T2Candida Panels - and higher other revenue of \$0.3 million mostly attributable to service and freight. These were partially offset by lower T2Dx sales of \$0.8 million as T2Dx sales increased in the quarters immediately following the release of our T2SARS-CoV-2 Panel.

Research revenue

Research revenue was immaterial for the nine months ended September 30, 2021 and September 30, 2020.

Contribution revenue

Contribution revenue relates to our BARDA agreement and was \$8.4 million for the nine months ended September 30, 2021 compared to \$4.5 million for the nine months ended September 30, 2020. The increase of \$3.9 million is due to increased contract activity.

Cost of product revenue

Cost of product revenue was \$15.3 million for the nine months ended September 30, 2021, compared to \$13.8 million for the nine months ended September 30, 2020, an increase of \$1.5 million. The increase in cost was driven by \$2.9 million from higher consumable sales primarily from T2SARS-CoV-2, \$0.4 million of higher service and repair costs, \$0.3 million of increased costs due to increased T2Dx inventory levels in 2021 compared to 2020, partially offset by manufacturing efficiencies, \$0.3 million of royalties, \$0.2 million of increased quality control testing and \$0.1 million of higher shipping related expenses. These increases are partially offset by \$1.9 million from lower T2Dx sales, \$0.6 million from a COVID-19 related impairment charge of our T2-owned instruments and components recorded in early 2020, and \$0.2 million of lower T2-owned instrument depreciation primarily as a result of a lower carrying value of T2-owned instruments subsequent to the impairment charge in the first quarter of 2020.

Research and development expenses

Research and development expenses were \$16.4 million for the nine months ended September 30, 2021, compared to \$12.3 million for the nine months ended September 30, 2020, an increase of \$4.1 million. The increase was driven by increased lab and facility expenses of \$1.2 million primarily related to our BARDA agreement and partially offset by a decrease in T2SARS-CoV-2 expenses, \$1.0 million of higher payroll related expenses due to increased headcount, \$1.0 million of increased IT support, \$0.7 million of increased consulting expenses primarily related to our BARDA agreement, and \$0.4 million higher of materials cost. These increases are partially offset by decreased clinical related expenses for assay development of \$0.2 million.

Selling, general and administrative expenses

Selling, general and administrative expenses were \$22.0 million for the nine months ended September 30, 2021, compared to \$17.2 million for the nine months ended September 30, 2020, an increase of \$4.8 million. The increase was driven by an increase in stock based compensation expenses of \$2.4 million from increased restricted stock unit awards, increased headcount and the Type I and Type III modifications from Mr. McDonough's resignation and an increase in payroll related expenses of \$2.4 million due to increased headcount, \$0.8 million of increased IT support, \$0.6 million of increased marketing research and tradeshow and conference expenses and \$0.3 million of increased investor relations for the Annual Shareholder Meeting, \$0.2 million of increased director fees primarily from to the payment associated with Mr. McDonough's resignation. These increases were partially offset by \$0.8 million of lower consulting expenses primarily driven by less temporary help related to final cyber-recovery efforts in early 2020 and less work incurred for Section 404 of the Sarbanes-Oxley Act and a Board members search, a decrease of \$0.5 million related to an impairment charge of a vacated operating lease that was recorded in 2020, \$0.4 million of less legal expenses including services for the CEO transition and \$0.2 million of less insurance expenses.

Interest income

Interest income was immaterial for the nine months ended September 30, 2021 and 2020.

Interest expense

Interest expense was \$4.6 million for the nine months ended September 30, 2021, compared to \$3.9 million for the nine months ended September 30, 2020. Interest expense increased by \$0.7 million primarily due to due to the interest and the change in fair value of the derivative and the amortization of the debt discount associated with the CRG Term Loan Agreement.

Other income, net

Other income, net, was \$0.2 million for the nine months ended September 30, 2021, compared to \$0.1 million for the nine months ended September 30, 2020. The \$0.1 million increase is immaterial.

Liquidity and Capital Resources

We have incurred losses and cumulative negative cash flows from operations since our inception, and as of September 30, 2021 and December 31, 2020 we had an accumulated deficit of \$460.1 million and \$423.0 million, respectively. Having obtained clearance from the FDA and a CE mark in Europe to market the T2Dx Instrument, T2Candida Panel, and T2Bacteria Panel, we have incurred significant commercialization expenses related to product sales, marketing, manufacturing and distribution. We may seek to continue to fund our operations through public equity or private equity or debt financings, as well as other sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements if and when needed would have a negative impact on our business, results of operations and financial condition and our ability to develop and commercialize T2Dx, T2Candida, T2Bacteria, T2SARS-CoV-2 and other product candidates.

Historically, we have funded our operations primarily through our August 2014 initial public offering, our December 2015 public offering, our September 2016 private investment in public equity ("PIPE") financing, our September 2017 public offering, our June 2018 public offering, our July 2019 establishment of an Equity Distribution Agreement and Equity Purchase Agreement (Note

7), our March 2021 establishment of an Equity Distribution Agreement (Note 7), private placements of redeemable convertible preferred stock and debt financing arrangements.

In July 2021, our shareholders approved of an increase in the number of authorized shares of our common stock from 200,000,000 to 400,000,000.

Equity Distribution Agreement

On July 30, 2019, we entered into an Equity Distribution Agreement (the “Original Sales Agreement”) with Canaccord Genuity LLC, as agent (“Canaccord”), pursuant to which we may offer and sell shares of common stock in an “at the market offering” as defined in Rule 415(a)(4) of the Securities Act, for aggregate gross sale proceeds of up to \$30.0 million from time to time through Canaccord. On March 9, 2020, we entered into an amendment to the Original Sales Agreement to increase the aggregate gross sales amount from \$30.0 million to \$65.0 million. On April 8, 2020, we entered into an amendment to the Original Sales Agreement to increase the aggregate gross sales amount from \$65.0 million to \$95.0 million. As of December 31, 2020, we had sold 101,606,667 shares of common stock with an aggregate gross sales amount of \$95.0 million.

On March 31, 2021, we entered into another Sales Agreement with Canaccord (“New Sales Agreement”), as agent, pursuant to which we may offer and sell shares of common stock, for aggregate gross sale proceeds of up to \$75.0 million from time to time from the effective date of the respective registration statement through Canaccord. In the second quarter of 2021, we had sold 16,809,424 shares of common stock for net proceeds of \$20.0 million. We sold no shares under the Agreement during the three months ended September 30, 2021.

We agreed to pay Canaccord for its services of acting as agent 3% of the gross proceeds from the sale of the shares pursuant to the New Sales Agreement. Legal and accounting fees are reclassified to share capital upon issuance of shares under the New Sales Agreements.

Purchase Agreement

On July 29, 2019, we entered into a \$30.0 million purchase agreement (the “Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“Lincoln Park”), pursuant to which we were able to sell and issue to Lincoln Park, and Lincoln Park was obligated to purchase, up to \$30.0 million in value of its shares of common stock from time to time over a 36-month period starting from the effective date of the respective registration statement. On April 7, 2020, we terminated the Purchase Agreement, effective April 8, 2020.

In consideration for the execution and delivery of the Purchase Agreement, we issued 413,349 shares of common stock to Lincoln Park.

Plan of operations and future funding requirements

As of September 30, 2021 and December 31, 2020 we had unrestricted cash and cash equivalents of approximately \$22.0 million and \$16.8 million respectively. Currently, the majority of our cash and cash equivalents, along with our marketable securities of \$20.0 million, are held in U.S. treasury securities. Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, costs related to our products, clinical trials, laboratory and related supplies, supplies and materials used in manufacturing, legal and other regulatory expenses and general overhead costs.

Until such time as we can generate substantial product revenue, we expect to finance our cash needs, beyond what is currently available or on hand, through a combination of equity offerings, debt financings and revenue from existing and potential research and development and other collaboration agreements. If we raise additional funds in the future, we may need to relinquish valuable rights to our technologies, future revenue streams or grant licenses on terms that may not be favorable to us.

The COVID-19 pandemic has impacted and may continue to impact our operations. We have established protocols for continued manufacturing, distribution and servicing of our products with safe social distancing and personal protective equipment measures and for remote work for employees not essential to on-site operations. To date these measures have been mostly successful but may not continue to function should the pandemic escalate and further impact our personnel. In 2020, our hospital customers restricted our sales team's access to their facilities and as a result, we had significantly reduced our commercial and general and administrative staffing levels at the beginning of the COVID-19 pandemic to reduce expenses. We have since hired sales and marketing personnel. Although we did not see any material impact to accounts receivable during the period ended September 30, 2021, our exposure may increase if our customers continue to be adversely affected by the COVID-19 pandemic, including as a result of the spread of variants of the virus. Customers may reduce their purchases of products, depending on their needs and cash flow, which could negatively impact revenue. Our customers may cease to comply with the terms of our sales agreements and this may impact our ability to recognize revenue and hinder receivables collections. We have a significant development contract with BARDA and should BARDA reduce, cancel or not grant additional milestone projects, our ability to continue our future product development may be impacted. Our shipping carrier's ability to deliver our products to customers may be disrupted. We have reviewed our suppliers and quantities of key materials and believe we have sufficient stocks and alternate sources of critical materials should our supply chains become disrupted, although raw materials and plastics for the manufacturing of reagents and consumables are in high demand, and interruptions in supply are difficult to predict. At the onset of the pandemic, we believed that the pandemic's impact on our sales would affect the recoverability of the value of our T2-owned instruments and components. In early 2020, the COVID-19 pandemic also caused us to reassess our build plan and evaluate our inventories accordingly, which resulted in an additional charge to cost of product revenue for excess inventories.

Going Concern

While we believe that our cash, cash equivalents, marketable securities and restricted cash of \$43.6 million at September 30, 2021 will be sufficient to fund our current operating plan at least a year from issuance of these financial statements, certain elements of our operating plan cannot be considered probable. Under ASC 205-40, the future receipt of potential funding from our Co-Development partners and other resources cannot be considered probable at this time because none of the plans are entirely within our control. During the year ended December 31, 2020, management implemented a cost improvement strategy which is focused on reducing operating expenses and improving cost of goods sold.

The Term Loan Agreement with CRG Servicing LLC ("CRG") (Note 6) has certain covenants which require us to achieve certain annual revenue targets, whereby we are required to pay double the amount of any shortfall as an acceleration of principal payments, and maintain a minimum cash balance of \$5.0 million. In June 2021, we achieved the revenue covenant for the twenty-four month period beginning January 1, 2020. While we believe we can continue as a going concern for at least a year from issuance of these financial statements, there can be no assurances that we will continue to be in compliance with the cash covenant in future periods without additional funding. We intend to continue to evaluate options to refinance the Term Loan Agreement, which becomes due on December 30, 2022. There can be no assurances that we will be able to refinance on terms favorable or at all. The amounts involved in any such transactions, individually or in the aggregate, may be material.

Our stock has been trading under \$1.00. Should our stock continue to trade under \$1.00 through November 8, 2021, we are at risk of receiving a letter from The Nasdaq Stock Market LLC ("Nasdaq") as that would be the thirtieth consecutive business day on which our common stock will have closed below the minimum \$1.00 per share requirement for continued listing on the Nasdaq Global Market under Nasdaq Listing Rule 5450(a)(1). Under Nasdaq rules, we have 180 days to regain compliance by increasing the stock price to over \$1.00. Remediation plans could include requesting a reverse stock split of shareholders.

These conditions raise substantial doubt regarding our ability to continue as a going concern for a period of one year after the date that the financial statements are issued. Management's plans to alleviate the conditions that raise substantial doubt include raising additional funding, earning payments pursuant to our Co-Development agreements, delaying certain research projects and capital expenditures and eliminating certain future operating expenses in order to fund operations at reduced levels for us to continue as a going concern for a period of 12 months from the date the financial statements are issued. Management has concluded the likelihood that its plan to successfully obtain sufficient funding from one or more of these sources or adequately reduce expenditures, while reasonably possible, is less than probable. Accordingly, we have concluded that substantial doubt exists about our ability to continue as a going concern for a period of at least 12 months from the date of issuance of these consolidated financial statements.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

Cash flows

The following is a summary of cash flows for each of the periods set forth below:

	Nine Months Ended	
	September 30,	
	2021	2020
	(in thousands)	
Net cash provided by (used in):		
Operating activities	\$ (29,032)	\$ (34,465)
Investing activities	14,990	(42,633)
Financing activities	20,296	85,495
Net increase in cash, cash equivalents and restricted cash	\$ 6,254	\$ 8,397

Net cash used in operating activities

Net cash used in operating activities was approximately \$29.0 million for the nine months ended September 30, 2021, and consisted of a net loss of \$37.1 million adjusted for non-cash items including stock-based compensation expense of \$5.6 million, non-cash interest expense of \$2.8 million, non-cash lease expense of \$1.0 million, depreciation and amortization expense of \$1.0 million, a change in fair value of the derivative of \$1.0 million, amortization of bond premium of \$0.1 million and a net change in operating assets and liabilities of \$1.4 million. The net change in operating assets and liabilities was primarily driven by an increase of \$1.9 million in inventory to support the 2021 build plan, a decrease in operating lease liabilities of \$0.9 million, an increase in prepaid expenses and other assets of \$0.7 million primarily related to an increase in insurance, increased software subscriptions and the security deposit receivable for one of our operating leases, partially offset by a decrease in accounts receivable of \$0.9 million primarily due to the timing and volume of consumable and instrument sales partially offset by an increase in accounts receivable for our BARDA agreement, an increase in accrued expenses of \$0.6 million primarily due to the timing and volume of increased research activities, consulting and the employee stock purchase plan, and an increase in accounts payable of \$0.5 million due to timing of payments.

Net cash used in operating activities was approximately \$34.5 million for the nine months ended September 30, 2020, and consisted of a net loss of \$36.9 million adjusted for non-cash items including stock-based compensation expense of \$3.0 million, non-cash interest expense of \$2.3 million, depreciation and amortization expense of \$1.3 million, a change in fair value of the derivative of \$1.2 million, non-cash lease expense of \$1.1 million, COVID-19 related impairment charge of \$0.6 million of our T2-owned instruments and components, an impairment of one of our operating lease assets of \$0.5 million, and a net change in operating assets and liabilities of \$5.4 million, primarily related to a decrease in accrued expenses of \$1.1 million primarily from bonus and commission payments as well as payments related to the Transition Agreement with John McDonough, a decrease in accounts payable of \$1.3 million due to timing of payments, a decrease in operating lease liabilities of \$1.5 million, an increase in prepaid expenses and other assets of \$1.5 million primarily related to order deposits with our contract manufacturer, increased software subscriptions and the security deposit receivable for one of our operating leases, and an increase in accounts receivable of \$1.0 million due to higher consumable and instrument sales shipped near quarter end and, partially offset by \$0.7 million of a decrease in inventory primarily due to increased sales and an increase in deferred revenue primarily due to warranty and service performance obligations of \$0.3 million associated with the recent instrument sales.

Net cash provided by (used in) investing activities

Net cash provided by investing activities was approximately \$15.0 million for the nine months ended September 30, 2021, and primarily consisted of proceeds from maturities of marketable securities of \$15.3 million, partially offset by equipment purchases of \$0.3 million.

Net cash used in investing activities was approximately \$42.6 million for the nine months ended September 30, 2020, and primarily consisted of purchases of marketable securities of \$50.5 million and equipment purchases of \$0.4 million, partially offset by proceeds from maturities of marketable securities of \$8.3 million.

Net cash provided by financing activities

Net cash provided by financing activities was approximately \$20.3 million for the nine months ended September 30, 2021, and consisted primarily of proceeds from sales of our common stock under the Sales Agreement, net of issuance costs, of \$20.0 million, and of proceeds from issuance of shares under our 2014 Employee Stock Purchase Plan and stock option exercises of \$0.3 million.

Net cash provided by financing activities was approximately \$85.5 million for the nine months ended September 30, 2020, and consisted of primarily of proceeds from sales of our common stock under the Sales Agreement, net of issuance costs, of \$85.0 million,

proceeds from sales of our common stock under the Equity Distribution Agreement, net of issuance costs, of \$0.3 million and proceeds from issuance of shares under our 2014 Employee Stock Purchase Plan and stock option exercises of \$0.2 million.

Borrowing Arrangements

Term Loan Agreement

In December 2016, we entered into a Term Loan Agreement with CRG. We borrowed \$40.0 million pursuant to the Term Loan Agreement, which has a six-year term with three years (through December 30, 2019) of interest-only payments, which period was extended to four years (through December 30, 2020) upon achieving the Approval Milestone, after which quarterly principal and interest payments would be due through the December 30, 2022 maturity date. Interest on the amounts borrowed under the Term Loan Agreement accrues at an annual fixed rate of (a) prior to the Approval Milestone, 12.50%, 4.0% of which may be deferred during the interest-only period by adding such amount to the aggregate principal loan amount and (b) following the Approval Milestone, 11.50%, 3.5% of which may be deferred during the interest-only period by adding such amount to the aggregate principal loan amount. In addition, if we achieve certain financial performance metrics, the loan will convert to interest-only until the December 30, 2022 maturity, at which time all unpaid principal and accrued unpaid interest will be due and payable. We are required to pay CRG a financing fee based on the loan principal amount drawn. We are also required to pay a final payment fee of 8%, subsequently amended to 10%, of the principal outstanding upon repayment. We are accruing the final payment fee as interest expense and it is included as a non-current liability at September 30, 2021 and December 31, 2020 on the balance sheet.

The Term Loan Agreement with CRG is classified as a non-current liability at September 30, 2021 and December 31, 2020 as we have sufficient cash, cash equivalents and marketable securities as of the date of this filing that the minimum liquidity covenant would not be triggered at December 31, 2021. We have assessed the classification of the note payable as non-current based on facts and circumstances as of the date of this filing, specifically as it relates to achieving the minimum liquidity and revenue covenants. In June 2021, we achieved the twenty-four month revenue covenant for the period beginning January 1, 2020. Management continues to reassess at each balance sheet and filing date based on facts and circumstances and can provide no assurances regarding the probability of meeting its minimum liquidity covenant in future periods.

We may prepay all or a portion of the outstanding principal and accrued unpaid interest under the Term Loan Agreement at any time upon prior notice subject to a certain prepayment fee during the first five years of the term and no prepayment fee thereafter. As security for our obligations under the Term Loan Agreement, we entered into a security agreement with CRG whereby we granted a lien on substantially all of its assets, including intellectual property. The Term Loan Agreement also contains customary affirmative and negative covenants for a credit facility of this size and type, including a requirement to maintain a minimum cash balance of \$5.0 million. The Term Loan Agreement also requires us to achieve certain revenue targets, whereby we are required to pay double the amount of any shortfall as an acceleration of principal payments.

In 2019, the Term Loan Agreement was amended to reduce minimum revenue targets, extend the interest-only period and extend the principal repayment. The final payment fee was increased from 8% to 10% of the principal amount outstanding upon repayment. We issued to CRG warrants to purchase 568,291 shares of the Company's common stock ("New Warrants") (Note 9) at an exercise price of \$1.55, with typical provisions for termination upon a change of control or a sale of all or substantially all of the assets of the Company. We also reduced the exercise price for the warrants previously issued to CRG to purchase an aggregate of 528,958 shares of our common stock to \$1.55. All of the New Warrants are exercisable any time prior to September 9, 2029, and all of the previously issued warrants are exercisable any time prior to December 30, 2026.

In January 2021, the Term Loan Agreement was amended to extend the interest-only payment period through December 30, 2022, to extend the initial principal repayment to December 30, 2022, and to significantly reduce the revenue covenant for the 24-month period beginning on January 1, 2020. We did not pay or provide any consideration in exchange for this amendment. We accounted for the January 2021 amendment as a modification to the Term Loan Agreement.

The Term Loan Agreement includes a subjective acceleration clause whereby an event of default, including a material adverse change in the business, operations, or conditions (financial or otherwise), could result in the acceleration of the obligations under the Term Loan Agreement. Under certain circumstances, a default interest rate of an additional 4.0% per annum will apply at the election of CRG on all outstanding obligations during the occurrence and continuance of an event of default. CRG has not exercised its right under this clause.

We assessed the terms and features of the Term Loan Agreement, including the interest-only period dependent on the achievement of the Approval Milestone and the acceleration of the obligations under the Term Loan Agreement under an event of default, of the Term Loan Agreement in order to identify any potential embedded features that would require bifurcation. In addition, under certain circumstances, a default interest rate of an additional 4.0% per annum will apply at the election of CRG on all outstanding obligations during the occurrence and continuance of an event of default, we concluded that the features of the Term Loan Agreement are not clearly and closely related to the host instrument, and represent a single compound derivative that is required to be re-measured at fair value on a quarterly basis.

The fair value of the derivative at December 31, 2020 is \$1.0 million and is classified as a non-current liability on the balance sheet at December 31, 2020 to match the classification of the related Term Loan Agreement. In June 2021, we achieved the revenue covenant for the twenty-four month period beginning January 1, 2020 and have no derivative liability.

Contractual Obligations and Commitments

There were no other material changes to our contractual obligations and commitments from those described under Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report on Form 10-K for the year ended December 31, 2020.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide this information.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of September 30, 2021. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Based on the evaluation of our disclosure controls and procedures as of September 30, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, the Company's disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes to the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II.
OTHER INFORMATION

Item 1. Legal Proceedings

We may be from time to time subject to various claims and legal actions during the ordinary course of our business. There are currently no claims or legal actions, individually or in the aggregate, that would have a material adverse effect on our results of operations or financial condition.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits, Financial Statement Schedules

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	Restated Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K (File No. 001-36571) filed on August 12, 2014)
3.2	Certificate of Amendment of Restated Certificate of Incorporation of the Company dated July 23, 2021 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K (File No. 001-36751) filed on July 23, 2021)
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Form 8-K (File No. 001-36571) filed on August 12, 2014)
10.1*	Lease, dated September 3, 2021, by and between T2 Biosystems, Inc. and Farley White Concord Road, LLC.
10.2*	Amendment of Solicitation/Modification of Contract, dated as of September 30, 2021 by and between the Company and Biomedical Advanced Research and Development Authority of the U.S. Department of Health and Human Services
10.3*	Amendment of Solicitation/Modification of Contract, dated as of October 25, 2021 by and between the Company and Biomedical Advanced Research and Development Authority of the U.S. Department of Health and Human Services
31.1*	Certification of principal executive officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of principal financial officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

** Furnished herewith

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 406 under the Securities Act of 1933, or the Securities Act.

SIGNATURES

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

T2 BIOSYSTEMS, INC.

Date: November 4, 2021

By: /s/ JOHN SPERZEL
John Sperzel
President, Chief Executive Officer and Chairman of the Board
(principal executive officer)

Date: November 4, 2021

By: /s/ JOHN M. SPRAGUE
John M. Sprague
Chief Financial Officer
(principal financial and accounting officer)

LEASE

Landlord:
Farley White Concord Road, LLC

Tenant:
T2 Biosystems, Inc.

Date of Lease: September 3, 2021

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THERE ARE ATTACHED HERETO AND INCORPORATED AS A PART OF THIS LEASE:

- EXHIBIT A -- Floor Plans
- EXHIBIT B -- Cleaning Services
- EXHIBIT C -- Variable Expenses
- EXHIBIT D -- Rules and Regulations
- EXHIBIT E -- Space Plan
- EXHIBIT F -- Loading Dock Plan

ARTICLE I - DEMISING CLAUSE AND DEFINED TERMS

1.1 **Demising Clause.** This lease (“Lease”) is made and entered into by and between the Landlord and the Tenant, as defined below, as of the date of this Lease (“Effective Date”). In consideration of the mutual covenants made herein, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises as defined below, on all of the terms and conditions set forth herein.

1.2 **Defined Terms.** The terms listed below shall have the following meanings throughout this Lease:

- (a) “LANDLORD”: Farley White Concord Road, LLC, a Massachusetts limited liability company
 - (b) “LANDLORD'S ADDRESS”: c/o Farley White Management Company, 155 Federal Street, 18th Floor, Boston, MA 02110
 - (c) “TENANT”: T2 Biosystems, Inc., a Delaware corporation.
 - (d) “TENANT'S ADDRESS”: Prior to the Commencement Date: 101 Hartwell Avenue, Lexington, Massachusetts 02421. After the Commencement Date: 290 Concord Road, Billerica, Massachusetts 01821.
 - (e) “BUILDING”: The 145,311 rentable square foot building located at 290 Concord Road, Billerica, Massachusetts.
 - (f) “PROPERTY”: The Building and the land on which it is situated having the address of 290 Concord Road, Billerica, Massachusetts.
 - (g) “PREMISES”: The approximately 70,125 rentable square foot portion of the Building consisting of an approximately 18,931 rentable square foot portion of the first floor and the entirety of the third floor, as more particularly shown on the floor plans attached hereto as **Exhibit A**.
 - (h) “RENTABLE SQUARE FEET IN THE PREMISES”: Approximately 70,125 rentable square feet.
 - (i) “TENANT'S PERCENTAGE”: 48.26% which is based on the 70,125 Rentable Square Feet (RSF) the Premises over the total RSF of the Building. The Tenant’s Percentage shall also be adjusted if the rentable square feet of the Building shall increase or decrease.
 - (j) “SCHEDULED COMMENCEMENT DATE”: July 15, 2022
 - (k) “TERM”: The period beginning on the Commencement Date (as defined in Section 2.2 of the Lease) and ending on the last day of the one hundred twenty-sixth (126th) full calendar month thereafter (subject, however, to Section 2.2 below).
 - (l) “RENT COMMENCEMENT DATE”: One Hundred Eighty (180) days following the Commencement Date, estimated to be January 11, 2023.
-

(m) "BASE RENT":

<u>Period</u>	<u>Rental Rate</u>	<u>Annual Base Rent</u>	<u>Monthly Payment</u>
Commencement Date* – Month 12	\$16.50	\$1,157,062.50	\$96,421.88
Month 13 – Month 24	\$17.00	\$1,192,125.00	\$99,343.75
Month 25 – Month 36	\$17.51	\$1,227,888.75	\$102,324.06
Month 37 – Month 48	\$18.04	\$1,265,055.00	\$105,421.25
Month 49 – Month 60	\$18.58	\$1,302,922.50	\$108,576.88
Month 61 – Month 72	\$19.14	\$1,342,192.50	\$111,849.38
Month 73 – Month 84	\$19.71	\$1,382,163.75	\$115,180.31
Month 85 – Month 96	\$20.30	\$1,423,537.50	\$118,628.13
Month 97 – Month 108	\$20.91	\$1,466,313.75	\$122,192.81
Month 109 – Month 120	\$21.54	\$1,510,492.50	\$125,874.38
Month 121 – Month 126	\$22.19	\$1,556,073.75	\$129,672.81

*Provided that there is no Event of Default by Tenant under the Lease, the Monthly Payments of Base Rent for the Premises for the first one hundred eighty (180) days following the Commencement Date shall be abated. Rent payable during any partial calendar month shall be prorated on a per diem basis.

(n) "LEASE YEAR": Each successive 365-day period during the Term, commencing on the Rent Commencement Date.

(o) "PERMITTED USES": General office and laboratory use.

(p) "BROKER(S)": CBRE

(q) "SECURITY DEPOSIT": \$1,000,000 in the form of a letter of credit, in accordance with and subject to the terms and conditions of Section 10.20 hereof.

ARTICLE II - PREMISES AND TERM

2.1 The Premises, Common Areas and Parking.

(a) Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises. Tenant shall have the right to use the space, if any, between the top surface of the ceiling and the bottom surface of the floor slab of the floor above such ceiling, and to drill into the floor slab of any floor encompassed within the Premises, all for the purpose of installing ducts, cables and conduits, so long as (i) Tenant obtains the prior written consent of Landlord (which consent shall not be unreasonably withheld, conditioned, or delayed); and (ii) such installation does not interfere with the Building systems and with the quiet enjoyment of other tenants in the Building.

(b) Tenant shall have the right to use the Common Areas in common with other tenants. The "Common Areas" include the Building's common lobbies, corridors, stairways, and elevators necessary for access to the Premises, and the common walkways and driveways necessary for access to the Building, the common toilets, corridors and elevator lobbies of any multi-tenant floor,

loading docks, loading area, freight elevator, and the parking area for the Building. Tenant will be afforded exclusive access to two tailboard docks located on the south side of the Building and directly adjacent to Tenant's first floor premises (the "Tailboard Dock") as shown on the loading dock plan attached hereto as **Exhibit E**. All use of the Common Areas shall be subject to the reasonable rules and regulations of Landlord generally applicable to all tenants of the Building from time to time. The current rules and regulations are attached hereto as **Exhibit D** ("Rules and Regulations").

(c) Tenant shall have the right to use two hundred seventeen (217) of the parking spaces in the parking areas serving the Building on an unreserved, first-come-first-served, non-exclusive basis, solely for Tenant's employees and visitors. It is understood that Landlord shall not be responsible for policing any parking areas. Tenant shall reasonably cooperate with Landlord to assure that Tenant and its employees and visitors observe all reasonable parking regulations established by Landlord from time to time and to assure that Tenant and its employees and visitors do not use more parking spaces than the number of parking spaces provided to Tenant hereunder. Landlord shall not be liable to Tenant, and this Lease shall not be affected, if any parking rights of Tenant hereunder are impaired by any law, ordinance or other governmental regulation imposed after the Effective Date.

(d) Landlord reserves the right, at any time and from time to time: (i) to change the name and street address of the Building; (ii) to grant, modify and terminate easements and other encumbrances, (iii) to make such changes, alterations, additions, improvements, repairs or replacements in or to the Property (including the Premises but, with respect to the Premises, only for purposes of repairs, maintenance, replacements and other rights expressly reserved to Landlord herein) and the fixtures and equipment therein, as well as in or to the street entrances and/or the Common Areas; (iv) to designate and change from time to time areas of the Property and facilities so to be used, as it may reasonably deem necessary or desirable, provided, however, in each case, that there be no material obstruction of Tenant's access to or egress from, or material interference with Tenant's use or enjoyment of the Premises. Landlord may at any time or from time to time, without Tenant's consent, construct additional improvements in all or any part of the Property, including, without limitation, adding additional buildings or changing the location or arrangement of any improvement in or on the Property or all or any part of the Common Areas, or add or deduct any land to or from the Property; provided that there shall be no increase in Tenant's obligations or material interference with Tenant's rights under this Lease and that the exercise of such rights does not interfere with Tenant's access to and use and enjoyment of the Premises.

2.2 Term. Both parties shall be bound by all the terms of this Lease as of the Effective Date. The Term shall begin on the Commencement Date and shall continue for the length of the Term set forth in Section 1.2 unless sooner terminated as hereinafter provided; provided, however, that if Landlord has not received the necessary permits to commence construction of the Landlord's Work and Tenant's Work before February 1, 2022 (the "Permit Deadline") and such failure is not due to Force Majeure or Tenant Delays, Tenant shall have option, but not the obligation, to terminate this Lease by delivery of written notice to Landlord, in which case the termination of the Lease shall be effective on the thirtieth (30th) day following Landlord's receipt of such notice, unless such permits shall be obtained prior to the effective termination date in which case the notice of termination shall be void and this Lease shall continue in full force and effect. If the Lease is so terminated, (a) Landlord shall promptly return the Security Deposit to Tenant,

and (b) Landlord shall promptly return to Tenant all pre-paid Rent and any other sums previously delivered to Landlord by Tenant. The "Commencement Date" shall be the earlier of: (i) the date of issuance of a certificate of occupancy (or equivalent) for the Tenant's Work under Article IV or (ii) the date the Tenant occupies any portion of the Premises for its business operations. If Landlord has not received the necessary permits to commence construction of the Landlord's Work and Tenant's Work on or before the Permit Deadline due to a Tenant Delay, the Permit Deadline shall be extended for (i) a period of fourteen (14) days for the first day of a Tenant Delay and (ii) an additional day for each additional day of a Tenant Delay, and Tenant shall retain the right to deliver a notice of termination following any such extended Permit Deadline.

Landlord shall use reasonable efforts to have the Premises ready for occupancy, including, without limitation, the substantial completion and usability of the Landlord's Work, the Tenant's Work and the Tailboard Dock, on or before the Scheduled Commencement Date. If the Premises, including the Tailboard Dock, are not ready for occupancy and use by Tenant on the Scheduled Commencement Date, Landlord shall not be subject to any liability for such failure, and such failure shall not affect the validity of this Lease, but Tenant shall not be liable for any Base Rent until the Rent Commencement Date. Notwithstanding the foregoing, if the Commencement Date shall not have occurred on or before the ninetieth (90th) day following the Scheduled Commencement Date and such failure is not due to Force Majeure or Tenant Delays, the Rent Commencement Date shall be extended by one (1) day for every day following the Scheduled Commencement Date for which the Premises are not ready for occupancy and use. If the Commencement Date shall not have occurred on or before the one hundred twentieth (120th) day following the Scheduled Commencement Date and such failure is not due to Force Majeure or Tenant Delays, Tenant shall have the option, but not the obligation, to terminate this Lease by delivery of written notice to Landlord, in which case the termination of the Lease shall be effective on the thirtieth (30th) day following Landlord's receipt of such notice, unless the Premises shall be made ready for occupancy and use prior to the effective termination date in which case the notice of termination shall be void and this Lease shall continue in full force and effect. If the Lease is so terminated, (a) Landlord shall promptly return the Security Deposit to Tenant, and (b) Landlord shall promptly return to Tenant all pre-paid Rent and any other sums previously delivered to Landlord by Tenant. However, if the Premises are not ready for occupancy, and such delay is due to a Tenant Delay (as hereinafter defined), then the Commencement Date shall be the date the Premises would have been ready for occupancy except for such Tenant Delay, as reasonably determined by Landlord. If the Commencement Date shall not have occurred by the Scheduled Commencement Date due to a Tenant Delay, the Scheduled Commencement Date shall be extended for (i) a period of fourteen (14) days for the first day of a Tenant Delay, and (ii) an additional day for each additional day that of a Tenant Delay, and the timelines contained herein shall be based on such extended Scheduled Commencement Date and Tenant shall retain the right to deliver notice of termination based on such extended Scheduled Commencement Date.

The following delays, but only to the extent they result in actual delays in the Scheduled Commencement Date, are herein referred to collectively and individually as "Tenant Delay":

- (i) the failure by Tenant to submit its final written programming requirements on or before October 1, 2021;

(ii) any request by Tenant that Landlord delay the commencement, continuance or completion of the Tenant's Work; or

(iii) any failure by Tenant to satisfy its construction-related obligations under this Lease that delays the completion of the Tenant's Work;

(iv) any special requirement of the Landlord's Work or Tenant's Work not in accordance with Landlord's building standard, provided that Landlord has notified Tenant in writing in advance of the estimated delay attributable to such requirements;

(v) any delay in the issuance of a certificate of occupancy for the Tenant's Work due to Tenant's failure to install Tenant's furniture and fixtures in accordance with the Final Plans; or

(vi) any delay in the issuance of a building permit or certificate of occupancy for the Landlord's Work or Tenant's Work due to Tenant's failure to obtain any environmental or operating permits pertaining to Tenant's Permitted Use.

Actual Tenant Delays will be measured using the critical-path-type analysis. Landlord shall have no obligation to incur any additional expense to make up time produced by Tenant Delays, but Tenant may at any time pay the additional expense, including, without limitation, the additional supervisory and general conditions costs incurred, as additional rent in order to seek to cause any lost time to be made up at a later stage of construction.

Promptly after the Commencement Date has been established, Landlord and Tenant shall confirm the Commencement Date by mutually executing a certificate of commencement in a form to be prepared by Landlord and reasonable satisfactory to Tenant.

ARTICLE III - RENT

3.1 Base Rent.

(a) Beginning on the Rent Commencement Date (as may be extended in accordance with Section 2.2), Tenant shall pay the Base Rent each month in advance on the first day of each calendar month during the Term. The first monthly installment of Base Rent shall be due upon Lease execution and such amount shall be applied to the installment payment due to be paid by Tenant to Landlord after the Rent Commencement Date. For any partial month at the beginning or end of the Term, Tenant shall pay a proportional share of the amount that would be due for a full month, and with respect to a partial month at the beginning of the Term, Tenant shall pay such proportional share on the Commencement Date. In addition to the Base Rent, Tenant shall pay all additional rent and rental adjustments provided herein at the times set forth herein, or if no time for payment is specified, then payment shall be made within thirty (30) days after Tenant's receipt of an invoice from Landlord or another billing authority. All payments shall be made to Landlord at Landlord's Address or such other place as Landlord may designate in writing, without prior demand and without abatement, deduction or offset except as may be specifically set forth herein. Tenant shall not pay, and Landlord shall not accept, any rental payment more than one month in advance. All charges to be paid by Tenant hereunder, other than Base Rent, shall be considered additional rent for the purpose of this Lease, and the words "rent" or "Rent" as used in this Lease

shall mean both Base Rent and such additional rent unless the context specifically or clearly indicates that only the Base Rent is referenced.

3.2 Adjustment for Operating Expenses.

(a) Beginning on the Commencement Date, Tenant shall pay, as additional rent, Tenant's Share of Expenses for the Property. For each Fiscal Year during the Term, Tenant's Share of Expenses shall consist of the sum of (x) Tenant's Percentage of the sum of the total Operating Expenses for the Property and the total Taxes for the Property for that Fiscal Year, and (y) a commercially reasonable charge for the provision of services to operate the Building during periods other than 8:00 a.m. to 6:00 p.m. on weekdays and to operate the Building on holidays (which are all days on which commercial banks in Boston, Massachusetts are authorized or required by law to close) (such periods being referred to herein as "Non-Business Hours") that are fairly allocable to the Premises, if such services are requested by Tenant or are necessary, in Landlord's reasonable judgment, for Tenant's operations during Non-Business Hours. For any partial Fiscal Year at the beginning or end of the Term, Tenant's Share of Expenses shall be adjusted proportionately for the part of the Fiscal Year falling within the Term. Tenant's Percentage may be reduced if the Property is changed or reconfigured, but shall in all cases not exceed the percentage that the Rentable Square Feet in the Premises bears to the total rentable square footage in the Property, calculated on a consistent basis. In addition, Tenant shall pay, as additional rent, one hundred percent (100%) of any increase in Taxes not otherwise billed to Tenant which may result from any alteration, addition or improvement to the Premises that is made by or solely on behalf of Tenant. Landlord, at its discretion, may also assess Tenant for any extraordinary item of cost or expense which may actually occur as a direct result of Tenant's own distinct uses or activities which shall be itemized, invoiced separately, and paid by Tenant within thirty (30) days of its receipt of the invoice.

(b) Before each Fiscal Year, Landlord shall give Tenant a reasonable estimate of the expected Operating Expenses and Taxes for the Property for the coming Fiscal Year (excluding Landlord's cost for services provided during Non-Business Hours), and a calculation of the estimated amount of Tenant's Share of Expenses. Tenant shall pay one-twelfth of the estimated amount of Tenant's Share of Expenses with each monthly payment of Base Rent. After the end of each Fiscal Year, Landlord shall give Tenant a statement ("Statement") showing the actual Operating Expenses and Taxes for that Fiscal Year, a calculation of the actual amount of Tenant's Share of Expenses, and a summary of amounts already paid by Tenant pursuant to this Section. Any underpayment by Tenant shall be made up by cash payment to Landlord within thirty (30) days after delivery of the Statement; any overpayment shall be paid to Tenant within thirty (30) days after delivery of the Statement or, at Landlord's option, shall be credited against the next due Base Rent, provided that any overpayment shall be paid in cash to Tenant within thirty (30) days if the Term has ended. No delay by Landlord in providing any Statement shall be deemed a waiver of Tenant's obligation to pay Tenant's Share of Expenses

(c) The following terms used in this Section 3.2(c) shall have the following meanings for purposes of this Lease:

(i) The term "Fiscal Year" means any twelve-month period selected by Landlord for operating purposes. Landlord may change its Fiscal Year and interim

accounting periods, so long as the periods so revised are reconciled with prior periods in accordance with generally accepted accounting principles.

(ii) The term “Operating Expenses” means the total cost of operation of the Property, including, without limitation: (i) all costs of supplies, materials, equipment, and utilities used in or related to the operation, maintenance, and repair of the Property or any part thereof (other than the cost of any electricity which is to be paid for separately by Tenant pursuant to Section 3.3); (ii) all labor costs, including without limitation, salaries, wages, payroll and other taxes, unemployment insurance costs and employee benefits in connection with the on-site management, operation and maintenance of the Property or any part thereof; (iii) all maintenance, management, janitorial, legal (excluding those legal costs arising out of defaults of Landlord or other tenants in the Building), accounting, insurance, and service agreement costs related to the Property or any part thereof, including, without limitation, service contracts with independent contractors; (iv) casualty, liability, flood, environmental and other insurance, and unreimbursed costs incurred by Landlord which are subject to an insurance deductible; and (v) costs (including financing charges) of improvements to the Property that are intended to increase safety or reduce Operating Expenses or are required to comply with legal requirements imposed after the initial completion of the Building, all such improvements to be amortized over the reasonable life of such improvements. Any of the above services may be performed by Landlord or its affiliates, provided that fees for the performance of such services shall be reasonable and competitive with fees charged by unaffiliated entities for the performance of such services in comparable buildings in the area.

“Operating Expenses” shall not include:

- (a) Any ground rent;
- (b) Bad debt expenses and interest, principal, points and fees on debts or amortization on any mortgage or other debt instrument encumbering the Property;
- (c) Costs incurred by Landlord to the extent that Landlord is reimbursed by insurance proceeds, taking awards, or is otherwise reimbursed by third-parties;
- (d) Depreciation, amortization, interest payments or capital expenditures except as expressly set forth herein;
- (e) Marketing costs, including leasing commissions, attorneys’ fees (in connection with the negotiation and preparation of letters of intent, leases, subleases and/or assignments), space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Property, and costs incurred with respect to the installation of tenant improvements;
- (f) Expenses in connection with the enforcement of Landlord’s rights against tenants and occupants of the Property;

- (g) Expenses in connection with services or other benefits that are not offered to Tenant or for which Tenant is charged for directly;
- (h) initial improvements or alterations to the Premises;
- (i) the cost of providing any service directly to and paid directly by a single individual lessee, or costs incurred for the benefit of a single lessee in the Building;
- (j) costs incurred due to Landlord's breach of a law or ordinance;
- (k) repairs necessitated by the gross negligence or willful misconduct of Landlord or Landlord's employees, agents, or contractors;
- (l) capital expenses other than those specifically included in the definition of Operating Expenses;
- (m) charitable, or political contributions and membership fees or other payments to trade organizations;
- (n) costs of Landlord's Work which are to be borne by Landlord pursuant to this Lease;
- (o) rent and similar charges for Landlord's on-site management office and/or leasing office or any other offices of Landlord or its affiliates;
- (p) except for the management fee, Landlord's general overhead expenses not reasonably related to the Building;
- (q) Landlord's costs of any services provided to lessees or other occupants for which Landlord is actually reimbursed by such lessees or other occupants (other than reimbursement through Operating Expenses) as an additional charge or rental over and above the basic rent (and escalations thereof) payable under the lease with such lessee or other occupant;
- (r) costs in connection with services that are provided to another lessee or occupant of the Building, but are not offered to Tenant;
- (s) costs (i.e., interest and penalties) incurred due to Landlord's default of this Lease or any other lease, mortgage, or other agreement;
- (t) payments to subsidiaries or affiliates of Landlord, or to any other party, in each case as a result of a non-arm's length transaction, for management or other services related to the Premises, or for supplies or other materials for the Building, to the extent that such payments exceed arm's length competitive prices in the market where the Premises are located for the services, supplies or materials provided; salaries of employees of Landlord or Landlord's managing agent above those performing regional asset management and facilities management duties for the Building;

- (u) costs or expenses incurred in connection with the financing or sale of the Building or any portion thereof;
- (v) costs of environmental testing, monitoring, removal or remediation of any Hazardous Materials in the Building that are in existence at the Building prior to the Commencement Date except to the extent caused by Tenant;
- (w) the costs of acquiring investment-grade art;
- (x) fines, penalties, interest or other amounts imposed in connection with the Landlord's failure to pay any tax when due, except to the extent such failure is due to Tenant's failure to comply with the terms of this Lease; and
- (y) any item that, if included in Operating Expenses, would involve a double collection for such item by Landlord.

(iii) With respect to amounts payable on account of the total Operating Expenses for the Building and the Property, if less than the total rentable square footage of the Building is occupied at any time during such period, Landlord may reasonably extrapolate and include all components of Landlord's Operating Expenses that vary with occupancy (including, without limitation, the categories of Landlord's Operating Expenses listed as "Variable Expenses" on the attached **Exhibit C**) as though the total rentable square footage of the Building had been one hundred percent (100%) occupied at all times during such period (that is, if actual occupancy of the Building is less than 100%, then Tenant's Share of any such extrapolated variable component will be the percentage obtained by multiplying 100% by a fraction, the numerator of which is the percentage of the Building occupied by Tenant and the denominator of which is the percentage of the Building occupied by Tenant and all other tenants). In addition, if during all or part of any fiscal year, Landlord is not performing or furnishing any item or service to any portion of the Property (the cost of which, if performed or furnished by Landlord to such portion of the Property, would constitute a part of Operating Expenses), on account of (a) such item or service not being required or desired by a tenant, or (b) any tenant obtaining or providing such item for service itself, then, Operating Expenses shall be deemed to be increased by an amount equal to the additional costs and expenses which would reasonably have been incurred during such period by Landlord if it had performed or furnished such item or service to 100% of the Building.

(iv) The term "Taxes" means any form of assessment, rental tax, license tax, business license fee, levy, charge, tax or similar imposition, imposed by any authority having the power to tax, including any city, county, state or federal government, or any school, agricultural, lighting, library, drainage or other improvement or special assessment district, as against the Property or any part thereof or any legal or equitable interest of Landlord therein, or against Landlord by virtue of its interest therein, and any reasonable costs incurred by Landlord in any proceeding for abatement thereof, including, without limitation, attorneys' and consultants' fees. Notwithstanding anything to the contrary set forth in this Lease, in no event shall "Taxes" include: (a) Landlord's income, or franchise taxes, (b) assessments for off-site improvements, or (c) fines, penalties and interest incurred

as a result of Landlord's failure to pay any Tax when due except to the extent due to Tenant's failure to comply with its obligations hereunder. Landlord shall reimburse Tenant for Tenant's Share of any Tax abatements received by Landlord less legal, appraisal and other fees and expenses incurred by Landlord in obtaining such abatement.

As to any assessments payable in installments, Tenant shall only pay its Percentage of installments allocable to the Lease Term.

Provided that Tenant shall have first paid all of amounts due and payable by Tenant pursuant to this Article III and upon written notice of Tenant within 30 days of the receipt of a final certificate (but not more than once with respect to any Fiscal Year), Tenant may cause Landlord's books and records to be audited with respect to operating costs applicable to the Building for such Operating Year. The audit shall be performed within 30 days of Landlord's receipt of notice by a certified public accountant selected by Tenant at Tenant's sole cost and expense and at a mutually agreeable time and place where the books and records are customarily kept by the Landlord (or property manager) in the ordinary course. In no event shall the audit services be performed on a contingency fee basis. During such time of audit Tenant shall pay its full share of operating expenses. If it is determined that there are any amounts owed Tenant or Landlord as a result of said audit, such amount shall be reimbursed to the other within 30 days of said audit results, and if such audit identifies a misstatement of Operating Expenses in excess of five percent (5%), Landlord shall also reimburse Tenant for the reasonable cost of the audit. Tenant shall keep the results of any such audit confidential and shall not disclose the results of such inspection nor the content of such books and records with any third party other than Tenant's consultants and attorneys. Failure of Tenant to provide Landlord with a written request to review such books and records in a timely manner pursuant to this Article 3 with respect to each Fiscal Year shall be deemed a waiver of Tenant's rights hereunder with respect to such Fiscal Year.

3.3 Tenant's Utilities. The Premises will be check-metered to measure the electricity and gas used therein at Tenant's expense (pending final design). Within thirty (30) days following a written invoice from Landlord, Tenant shall pay to Landlord, as Additional Rent, the amount payable for utility services to the Premises based on check-meters and invoices received by Landlord from the applicable service provider. Tenant shall be responsible for all utility costs incurred as of the Commencement Date as set forth in Section 2.2. Tenant, at Tenant's expense, shall purchase, install and replace all light fixtures, bulbs, tubes, lamps, lenses, globes, ballasts and switches used in the Premises. Tenant agrees that it will not allow its demand requirements to adversely affect the Building's systems. Landlord shall not in any way be liable or responsible to Tenant for any loss, damage or expense which Tenant may sustain or incur if the quantity, character, or supply of such utility service is changed or is no longer available or suitable for Tenant's requirements.

3.4 Rent Abatement for Interruptions. Notwithstanding anything to the contrary in this Lease, if the Premises or a portion thereof are substantially untenantable such that, for the duration of the Interruption Cure Period (hereinafter defined), the continued operation in the ordinary course of Tenant's business in any portion of the Premises is materially and adversely affected, and Tenant actually ceases to use the affected portion of the Premises (the "Affected Portion") during the period of untenantability then, provided that such untenantability and Landlord's inability to cure such condition is not caused by the fault or neglect of Tenant and the

untenantability is within Landlord's reasonable control to remedy, Base Rent, Operating Costs and Taxes shall thereafter be abated in proportion to such untenability until the day such condition is completely corrected. For purposes hereof, the "Interruption Cure Period" shall be defined as five (5) consecutive business days after Landlord's receipt of written notice from Tenant of the condition causing untenability in the Affected Portion. The provisions of this Section 3.4 shall not apply in the event of untenability caused by fire or other casualty, or taking for eminent domain, which shall be governed by Section 8.1 below.

ARTICLE IV - CONSTRUCTION

4.1 Condition of Premises.

Tenant agrees that except as expressly provided herein (i) Tenant shall accept possession of the Premises in "as is" condition, (ii) that neither Landlord nor Landlord's agents have made any representations or warranties with respect to the Premises or the Building, and (iii) except for the Landlord's Work, the Tenant's Work and as otherwise expressly provided in this Lease, Landlord has no obligation to perform any work, supply any materials, incur any expense or make any alterations, additions or improvements to the Premises to prepare the Premises for Tenant's use and occupancy. Notwithstanding the foregoing, Landlord represents, to its actual knowledge, without a duty to investigate, that (a) there are no damages or defects with respect to the Premises that would not be discoverable during a visual inspection, and (b) the Premises are not in violation of any applicable laws.

Notwithstanding the foregoing, Landlord shall (i) cause the first-floor premises to be demised from the unleased space on the floor and delivered to Tenant in shell condition and (ii) deliver the Premises with the building roof and structure (including without limitation, exterior windows), common areas and all mechanical, electrical, plumbing MEP and HVAC and life/safety systems serving the Premises in good working order and repair at Landlord's cost ("Landlord's Work"). Landlord's Work shall include (i) providing one-time access and installation of the lab PODS to be installed on the third floor of the Building in accordance with the approved Final Plans, including without limitation, the cost of a crane and window removal and (ii) the construction of the Tailboard Dock.

4.2 Tenant's Work. Subject to the provisions of this Lease, Landlord shall construct an initial build out of the Premises ("Tenant's Work") in accordance with the Final Plans (as hereinafter defined). The Tenant's Work shall be constructed by Landlord in compliance with the provisions of the Lease. Tenant's Work shall not include the purchasing or installation of Tenant's trade fixtures.

Landlord and Tenant have prepared the test-fit plan attached as Exhibit E ("Space Plan"). Tenant shall provide Landlord Tenant's final written programming requirements, including without limitation, Tenant's office and lab equipment list and associated electrical, plumbing and ventilation requirements on or before October 1, 2021. Tenant's failure to provide the complete written programming requirements by such date shall constitute Tenant Delay. Based on such test-fit plan and programming requirements, Landlord shall cause to be prepared plans for the layout and finish of the Tenant's Work which Tenant desires to have performed in the Premises together

with mechanical, electrical, plumbing and fire protection plans (collectively, "Preliminary Plans"). Tenant shall respond to each request by Landlord for information required to prepare the Preliminary Plans within ten (10) days of such request. Tenant's failure to respond timely or provide requested information shall constitute Tenant Delay. Landlord will use commercially reasonable efforts to cause the Preliminary Plans to be submitted to Tenant within thirty (30) days from Landlord's receipt of Tenant's complete written programming requirements and Tenant shall approve or disapprove of the Preliminary Plans within ten (10) days of receiving them. If Tenant disapproves the Preliminary Plans, Tenant shall provide Landlord the reasons for such disapproval. Based on any comments received from Tenant during such ten (10) day period, Landlord will use commercially reasonable efforts to cause the final plans ("Final Plans") to be prepared and delivered to Tenant on or before December 1, 2021. No work shall be conducted by or on behalf of Tenant until the Final Plans have been fully approved in writing by Tenant in accordance with the time frames of this Section. The Final Plans shall not be materially changed or modified after approval by Tenant. Tenant shall cooperate reasonably to assist Landlord in obtaining a building permit and other approvals, at no cost or liability to Landlord.

The Final Plans shall comply with applicable legal requirements and shall be in a form satisfactory to appropriate governmental authorities responsible for issuing permits, approvals and licenses required for the Tenant's Work. Tenant, at its expense, shall be responsible for obtaining all licenses and permits required for its activities in the Premises.

Upon approval of the Final Plans, Landlord shall appoint a contractor from a mutually agreeable bid list of contractors which contractor shall prepare and submit to Tenant a budget for the Tenant's Work ("Estimated Initial Work Budget"). Tenant shall have the right to approve the Estimated Initial Work Budget, such approval not to be unreasonably withheld, conditioned, or delayed. If Tenant does not approve or object to the Estimated Initial Work Budget within three (3) business days after receipt of such information, the Estimated Initial Work Budget shall be deemed to be approved. If Tenant does not approve the Estimated Initial Work Budget, Tenant shall suggest alternatives to reduce the costs and the contractor shall issue a new Estimated Initial Work Budget incorporating Tenant's comments and alternatives. This process shall be continued until the Estimated Initial Work Budget shall be approved by Tenant. Notwithstanding the foregoing, the failure to obtain Tenant's approval of the Estimated Initial Work Budget on or before January 15, 2022 shall constitute Tenant Delay. Prior to spending or incurring any amounts or any costs that will exceed the corresponding line item in the Estimated Initial Work Budget (or the total amount of the costs shown on the Estimated Initial Work Budget) by 5%, the contractor shall obtain Tenant's written approval to such excess amounts.

Landlord's Managing Agent (or such other affiliate of Landlord as Landlord may substitute therefor) shall act as construction manager for the Tenant's Work, and said Estimated Initial Work Budget shall include a construction management fee payable to Landlord's Managing Agent equal to five percent (5%) of the cost of the Tenant's Work ("Construction Management Fee").

Tenant will be responsible for payment of the amount, if any, by which the costs of the Tenant's Work plus the Construction Management Fee exceed the Tenant Improvement Allowance, as provided for below.

Upon approval of the Final Plans and the Estimated Initial Work Budget, Landlord shall commence construction of the Tenant's Work and diligently prosecute the completion of the Tenant's Work in accordance with the provisions of this Section. Unless directed by Landlord to remove any portion of such improvements prior to the expiration of the term (which requirement shall be made by Landlord at the time it approves the Plans or at the time it approves any future Alterations pursuant to Section 4.4(d)), such improvements shall be part of the Premises and the sole property of Landlord subject to Tenant's right to make further alterations in accordance with the terms of this Lease. Landlord shall promptly correct any items on such list that require correction. Except as set forth herein, Landlord shall have no obligation to improve the Premises.

Tenant's interior furnishings, i.e., specification, supply and installation of furniture, furnishings, telephones, and moveable equipment, shall be the sole responsibility of Tenant. Provided that Tenant does not unreasonably interfere with or delay Landlord's performance of the Tenant's Work, Landlord agrees to allow Tenant to have access to the Premises prior to the Commencement Date for design, space planning, inspection and the like and for installation of its telecommunications and computer equipment and to install its fixtures, furniture and equipment all subject to reasonable cooperation with Landlord. Prior to any entry onto the Premises, Tenant shall deliver to Landlord certificates of insurance evidencing the coverages required herein. All of the Tenant's installation of interior furnishings and equipment shall be coordinated with any work being performed by Landlord in the Premises or elsewhere in the Building in such manner as to maintain harmonious labor relations and not damage the Building or the Premises or interfere with Building operations in any material respects.

Within fourteen (14) days after the Commencement Date, Landlord and Tenant shall inspect the Premises and mutually prepare a list (the "**Punchlist**") of outstanding items which do not materially interfere with Tenant's use and occupancy of the Premises but which need to be performed to deliver the Premises in the condition required by the Lease (the "**Punchlist Items**"). Any matters, other than building systems, not shown on the punch list shall be deemed approved by Tenant. Subject to Force Majeure and Tenant Delays, Landlord shall, unless otherwise specified on the Punchlist, complete all Punchlist Items within sixty (60) days of the date of the Punchlist, at Landlord sole cost and expense, subject to reimbursement in accordance with Section 4.3 below; provided, however, to the extent the Punchlist includes any defects in Tenant's Work, such defects shall be corrected at Landlord's sole cost and expense, and not subject to reimbursement in accordance with Section 4.3.

Subject to the terms of this paragraph, Landlord agrees that Landlord's contract for the Tenant's Work will contain a warranty in customary form satisfactory to Landlord that the Tenant's Work shall be free from defects in workmanship and materials. Any portion of Tenant's Work not conforming to the previous sentence may be considered defective. The warranty excludes remedy for damage caused by improper use by any of the Tenant Parties or modifications not made by Landlord or any Landlord Party or improper or insufficient maintenance to the extent that such maintenance is not the responsibility of Landlord hereunder, it being understood and agreed that normal wear and tear and normal usage are not deemed defects or deficiencies. Landlord agrees that to the extent that the correction of such defects is covered under warranties given Landlord by contractors or subcontractors performing the Tenant's Work, it shall cause such contractor to correct any portion of Tenant's Work without cost to Tenant promptly following the date that Tenant gives Landlord written notice (a "**Defect Notice**") of such defective condition,

provided that the Defect Notice is delivered to Landlord on or before the date (the "Warranty Expiration Date") that is one hundred twenty (120) days following the Commencement Date, *time being of the essence*. Landlord's obligations under this Section shall expire on the Warranty Expiration Date and be of no further force and effect except with respect to any defects or deficiencies in Tenant's Work disclosed in any Defect Notice delivered before the Warranty Expiration Date.

4.3 Tenant Improvement Allowance.

Landlord shall pay for the actual hard and soft costs incurred with respect to the Tenant's Work up to Three Million Five Hundred Six Thousand Two Hundred Fifty and 00/100 Dollars (\$3,506,250.00) less any past due expenses owed to Landlord by Tenant under this Lease ("Initial Allowance"), in accordance with this Section.

If the actual costs incurred in connection with the Tenant's Work exceed the Initial Allowance, subject to Tenant providing a written statement that no material adverse change has occurred that affects Tenant's ability to meet its obligations under the Lease, Landlord shall provide an additional allowance to fund such excess costs up to a maximum aggregate amount of Three Million One Hundred Fifty-Five Thousand Six Hundred Twenty-Five and 00/100 Dollars (\$3,155,625.00) less any past due expenses owed to Landlord by Tenant under this Lease ("Additional Allowance") (the Initial Allowance and the Additional Allowance, are hereinafter referred to, singly or collectively, as the "Tenant Improvement Allowance"). The Additional Allowance shall not be used for funding any changes to the Tenant's Work not reflected on the Final Plans or any subsequent improvements or alterations proposed by Tenant.

The Tenant Improvement Allowance shall be payable by Landlord directly to the contractor in installments as the Tenant's Work progresses. Tenant will be responsible for payment of the amount, if any, by which the cost of the Tenant's Work plus the Construction Management Fee exceeds the Tenant Improvement Allowance ("Tenant's Excess Cost"). Tenant will pay Tenant's Excess Cost, if any, to Landlord in progress payments as Landlord incurs the cost of the Tenant's Work plus the Construction Management Fee. If the cost of the Tenant's Work plus the Construction Management Fee is expected to exceed the Tenant Improvement Allowance based on the Estimated Initial Work Budget, Landlord shall send to Tenant each month an invoice from contractor for the costs incurred by contractor in completing the Tenant's Work in the prior month plus the Construction Management Fee applicable for such month. Within seven (7) days after receipt of Landlord's invoice, Tenant shall pay the portion of the monthly invoice equal to the proportion that the Tenant's Excess Cost bears to the total cost for the Tenant's Work plus the Construction Management Fee based on the Estimated Initial Work Budget. If Tenant's Excess Cost changes as a result of changes in the cost of the Tenant's Work, appropriate adjustments will be made in the monthly progress payments due from Tenant. Upon completion of the Tenant's Work, Landlord shall submit to Tenant, for Tenant's review, copies of paid invoices and other reasonable evidence of the hard and soft costs of the Tenant's Work. If Tenant's review of such costs shows an overpayment by Tenant of less than \$50,000 with respect to Tenant's Excess Costs, Landlord shall credit the amount of such overpayment to Tenant against the next following rent payments until the credit is completely used. If such overpayment is equal to \$50,000 or more, Landlord shall refund the overpayment to Tenant within seven (7) days.

Notwithstanding anything herein to the contrary, Landlord shall not be obligated to disburse any portion of the Tenant Improvement Allowance during the continuance of a material Event of Default under the Lease, and Landlord's obligation to disburse shall only resume when and if such Event of Default is cured.

Landlord shall be under no obligation to apply any portion of the Tenant Improvement Allowance for any purposes other than as provided in this Section. The Tenant Improvement Allowance shall only be applied towards the costs relating to construction of the Tenant's Work, including, without limitation, any electrical, mechanical and exhaust work required for Tenant's operations, the acquisition of portable cleanrooms in lieu of stick built clean rooms, soft costs in connection with the design and permitting thereof, so long as all of the conditions to application of the Tenant Improvement Allowance set forth below have been satisfied and, except as expressly set forth herein, in no event shall Landlord be required to make application of any portion of the Tenant Improvement Allowance towards Tenant's personal property, trade fixtures or moving expenses or on account of any supervisory fees, overhead, management fees or other payments to Tenant, or any partner or affiliate of Tenant.

In the event that the cost of the Tenant's Work is less than the Tenant Improvement Allowance, Tenant shall not be entitled to any payment or credit of the unused portion nor shall there be any application of the same toward Base Rent or Additional Rent owed by Tenant under the Lease.

The right to receive the Tenant Improvement Allowance is for the exclusive benefit of Tenant, and in no event shall such right be assigned to or be enforceable by or for the benefit of any third party, including any contractor, subcontractor, materialman, laborer, architect, engineer, attorney or other person or entity.

If Additional Allowance is provided, commencing on the Commencement Date, Tenant shall pay Landlord as additional rent the monthly installment of the amortization of the Additional Allowance actually disbursed by Landlord in an amount sufficient to fully amortize the funded amount of the Additional Allowance over the initial term on a direct reduction basis payable in equal monthly installments with interest at the annual rate of eight percent (8%).

4.4 Alterations by Tenant.

(a) After the completion of the Tenant's Work, Tenant shall not make any other alterations, decorations, additions, installations, substitutes or improvements (hereinafter collectively called "Alterations") in and to the Premises, without first obtaining Landlord's written consent (such consent not to be unreasonably withheld, conditioned, or delayed provided that the proposed alterations do not affect the exterior of the Building, any structural elements or any building systems). No Alteration shall violate the certificate of occupancy for the Premises or any applicable law, code or ordinance, or the terms of any superior lease or mortgage affecting the Property, affect the exterior appearance of the Building, adversely affect the value or structure of the Building, require excessive removal expenses, adversely affect any other part of the Building, adversely affect the mechanical, electrical, sanitary or other service systems of the Building, or involve the installation of any materials subject to any liens or conditional sales contracts ("Approval Review Matters"). Tenant shall pay Landlord's reasonable costs of reviewing or

inspecting any proposed Alterations. Notwithstanding the foregoing, Tenant shall have the right, without obtaining the prior consent of Landlord, but upon at least five (5) business days' prior written notice to Landlord, to make Alterations to the Premises that (i) are within the interior of the Premises within the Building, and do not affect the exterior of the Premises and the Building, (ii) do not affect the roof or any structural element of the Building or adversely affect the mechanical, electrical, sanitary or other service systems of the Building, and (iii) cost less than \$50,000 in any one instance or series of related projects.

(b) All work on any Alterations shall be done at reasonable times in a first-class workmanlike manner, by contractors reasonably approved by Landlord, according to plans and specifications reasonably approved by Landlord. All work shall be done in compliance with all applicable laws, regulations, and rules of any government agency with jurisdiction, and with all regulations of the Board of Fire Underwriters or any similar insurance body or bodies. Tenant shall be solely responsible for the effect of any Alterations on the Building's structure and systems, whether or not Landlord has consented to the Alterations, and shall reimburse Landlord on demand for any costs incurred by Landlord by reason of any faulty work done by Tenant or its contractors. Upon completion of any Alterations, Tenant shall provide Landlord with a complete set of "as-built" plans.

(c) Tenant shall use its best efforts to keep the Property and Tenant's leasehold interest therein free of any liens or claims of liens arising from acts or omissions of Tenant, or its subtenants, contractors or others claiming by, through or under Tenant, and shall discharge or bond any such liens within ten (10) business days of their filing. Before commencement of any work, upon Landlord's request, Tenant's contractor shall provide any payment, performance and lien indemnity bond required by Landlord. Tenant shall provide evidence of such insurance as Landlord may reasonably require, naming Landlord as an additional insured. Tenant shall indemnify Landlord and hold it harmless from and against any cost, claim, or liability arising from any work done by or at the direction of Tenant. All work shall be done so as to minimize interference with other tenants and with Landlord's operation of the Building or other construction work being done by Landlord. Landlord may post any notices it considers necessary to protect it from responsibility or liability for any Alterations, and Tenant shall give sufficient notice to Landlord to permit such posting.

(d) All Alterations affixed to the Premises shall become part thereof and remain therein at the end of the Term; provided that Landlord may require any Alterations requiring approval pursuant to Section 4.4(a) above to be removed prior to the end of the Term as provided in this Section 4.4(d). If Landlord desires for Tenant to remove any such Alterations prior to the end of the Term, Landlord shall (a) with respect to any individual Alteration for which approval is being requested pursuant to Section 4.4(a), provide written notice of such removal requirement at the time such approval is provided by Landlord for such individual Alteration, or (b) with respect to any Alteration which taken, in the aggregate, with any prior Alterations (regardless of whether such prior Alterations are required to be removed at the end of the Term), provide written notice that Tenant must remove either (i) the individual Alteration for which approval is being requested only, or (ii) the individual Alteration being requested, as well as some or all of the previously approved Alterations that Landlord approved under Section 4.4(a) ("Aggregate Alteration Removal Components"), in which case, if Tenant moves forward with the Alteration for which approval is being sought, Tenant shall remove the Aggregate Alteration Removal Components

prior to the end of the Term and shall pay the cost of removal and any repair required by such removal. Notwithstanding the foregoing, Landlord may give Tenant a notice, at least thirty (30) days before the end of the Term, to remove any alterations made by or for Tenant without Landlord's consent prior to the end of the Term and shall pay the cost of removal and any repair required by such removal. All of Tenant's personal property, trade fixtures, equipment, furniture, movable partitions, and any Alterations not affixed to the Premises shall remain Tenant's property, removable at any time. If Tenant fails to remove any such materials at the end of the Term, Landlord may do so and store them at Tenant's expense, without liability to Tenant, and may sell them at public or private sale and apply the proceeds to any amounts due hereunder, including costs of removal, storage and sale.

ARTICLE V - LANDLORD'S OBLIGATIONS AND RIGHTS

5.1 Services Furnished by Landlord.

(a) Landlord shall furnish services, utilities, facilities and supplies equal in quality to those customarily provided by landlords in high quality office buildings of a similar design in the Route 495 area. Such services, facilities and supplies shall include the services described in Subsection 5.1(b) and 5.1(c) and Section 5.2 and the following: (i) cleaning services for Building Common Areas and the Premises as described in **Exhibit B**, (ii) rubbish removal, (iii) window cleaning, (iv) restroom supplies, (v) sewer and water service to the Building's restrooms, (vi) landscape maintenance, (vii) snow removal for walks, driveways and parking areas, (viii) maintenance of plantings in interior Common Areas, (ix) Building security, (x) elevator service from the existing elevator, and (xi) such other services, utilities, facilities and supplies as may be deemed necessary in Landlord's reasonable judgment.

(b) Subject to the provisions of this Subsection 5.1(b), Landlord shall furnish space heating and cooling as normal seasonal changes may require to provide reasonably comfortable space temperature and ventilation for occupants of the Premises under normal business operation. However, Tenant acknowledges that if the operation of its business in the Premises requires additional cooling, then it is solely Tenant's responsibility to install and maintain the additional cooling equipment following the procedures set forth in Section 4.2(b).

(c) Landlord shall furnish space heating and cooling during normal business hours of Monday through Friday from 8:00 a.m. to 6:00 p.m. except for holidays without additional cost to Tenant. Landlord shall furnish space heating and cooling beyond such times or on holidays if Tenant requests such service prior to 2:00 p.m. on the immediately preceding business day subject to Landlord's assessment of a commercially reasonable charge for the provision of such services.

(d) Subject to the provisions of Section 3.3, Landlord shall provide and make available to Tenant a 400 amp electrical service for Tenant's office lighting and machine use under normal business operations and 1,000 amp electrical service for Tenant's lab usage. Tenant's use of electrical energy in the Premises shall not at any time exceed the capacity of any of the electrical conductors or equipment in or otherwise serving the Premises. In order to ensure that such capacity is not exceeded and to avert possible adverse effect upon the Building electric service, Tenant shall not, without prior consent of Landlord in each instance (which consent shall not be unreasonably withheld or delayed), make any alteration or addition to the electric system of the Premises.

(e) Subject to Section 10.26 below, Landlord shall furnish, at Tenant's expense, reasonable additional Building operation services which are usual and customary in similar office buildings in the general Route 495 area upon reasonable advance request of Tenant at reasonable and equitable rates from time to time established by Landlord; such charges, if any, shall be considered to be additional rent.

5.2 Repairs and Maintenance. Except for repairs to items referred to below necessitated by Tenant's act, neglect or overloading or the act, neglect or overloading of persons acting under Tenant (which shall be Tenant's sole responsibility), Landlord shall, as expenses included in Landlord's Operating Expenses, make such repairs to the roof (including roof membrane), foundation, footings, slab, structural walls, exterior windows, plumbing, fire sprinkler/life safety system, lighting, heating, ventilation and air conditioning systems, electrical systems, and the passenger and freight elevators, and other common areas and facilities in the Building as may be necessary to keep them in good order, condition and repair consistent with the condition at the commencement of the Term or as they thereafter may be put (except if such damage or repair is necessitated by the Tenant's negligence, misconduct or overloading structural components of the Building beyond their specified levels, in which the same shall be Tenant's sole responsibility). Landlord shall keep the paved portions of the Property reasonably free of snow and ice. In addition, Landlord shall, as expenses included in Landlord's Operating Expenses (provided the applicable legal requirement takes effect after the Commencement Date), make improvements, alterations and additions to the Building which are directed by public authorities in order to render the same in compliance with legal requirements including the provisions of the Americans with Disability Act ("ADA") applicable to the Building common areas (but Tenant shall be responsible for compliance with the ADA applicable to the interior of the Premises or on account of its particular manner of use of the Premises) as in effect and generally enforced as of the Commencement Date. For avoidance of doubt, Landlord shall have no maintenance, repair, replacement or other responsibility in connection with Tenant's obligations set forth under Section 6.1.

5.3 Quiet Enjoyment. Upon Tenant's paying the rent and performing its other obligations, Landlord shall permit Tenant to peacefully and quietly hold and enjoy the Premises, subject to the provisions hereof.

5.4 Insurance. Landlord shall insure the Property, including the Building, against damage by fire and standard extended coverage perils, including "all-risks" coverage, and shall carry commercial general liability insurance all in such reasonable amounts with such reasonable deductibles as would be carried by a prudent owner of a similar building in the area. Landlord may carry any other forms of insurance as it or its mortgagee may deem advisable. Tenant shall have no right to any proceeds from such policies. Landlord shall not carry any insurance on any of Tenant's property, and shall not be obligated to repair or replace any of it.

5.5 Access to Premises. Landlord shall have reasonable access to the Premises to inspect Tenant's performance hereunder and to perform any acts required of or permitted to Landlord herein. Landlord shall at all times have a key or access card to the Premises, and Tenant shall not install any additional lock without Landlord's consent. Any entry into the Premises by Landlord, under this section or any other section of this Lease permitting such entry, shall be on at least 24 hours' advance notice, shall occur during normal business hours, shall be done so as not

to unreasonably interfere with Tenant's use of the Premises, and shall be accompanied by a representative of Tenant if Tenant so requests; provided, however, that such restrictions shall not apply to any situation that Landlord in good faith believes to be an emergency.

Subject to reasonable security procedures that Landlord may institute from time to time to prevent unauthorized access to the Building, Tenant shall have access to the Premises, twenty-four (24) hours per day, seven (7) days per week.

5.6 Right to Cease Providing Services. In connection with any repairs, alterations or additions to the Property or the Premises, or any other acts required of or permitted to Landlord herein, Landlord may, if necessary, reduce or suspend service of the Building's utilities and mechanical systems, or any of the other services, facilities or supplies required to be provided by Landlord hereunder, provided that Landlord shall use best efforts to restore such services, facilities or supplies as soon as possible, and provided further that Landlord shall give Tenant reasonable advance notice of such reduction or suspension if such reduction or suspension is planned in advance or if it is reasonably possible for Landlord to do so. In addition, Landlord may reduce or suspend such services, facilities or supplies in case of Force Majeure, as defined below. No such reduction or suspension permitted by this Section 5.6 shall constitute an actual or constructive eviction or disturbance of Tenant's use or possession of the Premises, or an ejection of Tenant from the Premises, or a breach by Landlord of any of its obligations, and no such reduction or suspension shall render Landlord liable for any damages, including but not limited to any damages, compensation or claims arising from any interruption or cessation of Tenant's business, or entitle Tenant to be relieved from any of its obligations under this Lease, or result in any abatement or reduction of rent, except as set forth in Section 5.7.

5.7 Failure to Provide Services and Repairs. Landlord shall not be in default or liable for any failure to perform any act or obligation or provide any service required hereunder unless Tenant shall have given notice of such failure, and such failure continues for at least thirty (30) days thereafter; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be liable or in default if it commences such performance within thirty (30) days and thereafter diligently pursues such performance to completion. Tenant hereby waives any right under any law, ordinance, regulation or judicial decision to make repairs or provide maintenance or perform any of Landlord's other obligations hereunder at Landlord's expense.

5.8 Independent Covenants. It is the intention of the parties hereto that the obligations of Tenant hereunder shall be separate and independent covenants and agreements, that the Base Rent, the Additional Rent and all other sums payable by Tenant to or on behalf of Landlord shall continue to be payable in all events and that the obligations of Tenant hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease.

ARTICLE VI - TENANT'S COVENANTS

6.1 Repair, Security and Yield Up. From and after the Commencement Date throughout the Term, the Tenant shall, at its own cost and expense, subject to Section 5.2: (i) make interior repairs, replacements and renewals necessary to keep the Premises and all equipment and

appurtenances, including all systems, pipes, ducts, conduits and wires wherever located either within or, with Landlord's prior approval, outside of the Premises from the point where the same begin to exclusively serve the Premises, in good order, condition and repair consistent with the condition of the Premises at the commencement of the Term or as they thereafter may be put, reasonable wear and use (damage by fire or other casualty or taking being elsewhere provided for) and Landlord's express obligations under this Lease only excepted (it being understood, however, that the foregoing exception for reasonable wear and use shall not relieve the Tenant from the obligation to keep the Premises in good order, repair and condition), (ii) make all other repairs, replacements and renewals which are required due to the negligence or misconduct of the Tenant or those acting under Tenant or are expressly provided for elsewhere in this Lease, and (iii) keep and maintain all portions of the Premises in a reasonably clean and orderly condition, free of accumulation of dirt, rubbish, and other debris. The foregoing shall include without limitation Tenant's obligation to maintain and repair floors, floor coverings and all mechanical, plumbing, electrical and other systems and equipment that exclusively serve the Premises wherever located (whether or not the same are located inside or outside the Premises), to paint and repair walls and doors, to replace and repair ceiling tiles, interior glass (and exterior glass if such damage or repair is necessitated by Tenant's negligence or misconduct), lights and light fixtures, drains, water heaters and the like, and regularly to clean the Premises. Landlord may require such repairs and maintenance to be done by a contractor designated by Landlord at Tenant's cost.

Tenant shall be responsible for securing its Premises including implementing all security measures with respect to access thereto as reasonably determined by Tenant. Any security system installed by Tenant shall be subject to the reasonable consent of Landlord and such system shall afford Landlord access to the Premises.

All personal property of any person which is located on or near the Premises shall be at the sole risk of Tenant and subject to the insurance requirements set forth herein. Landlord shall not be liable for any loss or damage to person or property resulting from any accident, theft, vandalism or other occurrence on or to the Premises, including damage resulting from water, wind, ice, steam, explosion, fire, smoke, chemicals, the rising of water or leaking or bursting of pipes or sprinklers, defect, structural or non-structural failure or any other cause except to the extent such loss or damage is caused by the negligence of Landlord or Landlord's managers or any of their respective employees, contractors and other agents.

At the end of the Term, Tenant shall peaceably yield up the Premises in the same order, repair and condition, as it is required to maintain during the Lease Term, subject to normal wear and tear and casualty damage (except to the extent that such casualty damage occurs through the gross negligence or misconduct of Tenant or persons acting under Tenant). Tenant shall remove its own property and (if required by Landlord at the time Landlord consents to any such Alteration in accordance with Section 4.4(d)) any Alterations, repairing any damage caused by such removal and restoring the Premises and leaving them clean and neat. Unless otherwise directed by Landlord at least thirty (30) days prior to the expiration of the Term, Tenant shall not cut Tenant's telecommunications cables and wiring or remove Tenant's telecommunication patch panel and shall label all telephone and data cable terminals accordingly. Any of Tenant's property which shall remain in the Premises or Building after expiration or termination of the Term of this Lease shall be deemed conclusively to have been abandoned, and either may be retained by Landlord as

its property or may be disposed of in such manner as Landlord may determine, at Tenant's sole cost and expense.

6.2 Use. Tenant shall use the Premises only for the Permitted Uses, and shall not use or permit the Premises to be used for any other purpose. Tenant shall not use or occupy the Premises in violation of: (i) any recorded covenants, conditions and restrictions affecting the Property of which Tenant has been given notice by Landlord (Landlord hereby representing that there are no such covenants, conditions or restrictions currently on record which will affect Tenant's use of the Premises for the Permitted Uses), (ii) any law or ordinance or any certificate of occupancy issued for the Building or the Premises, or (iii) any reasonable Rules and Regulations issued by Landlord for the Building of which Tenant has been given written notice. Tenant shall comply with any directive of any governmental authority with respect to Tenant's use or occupancy of the Premises. Tenant shall not do or permit anything in or about the Premises which will in any way damage the Premises, obstruct or interfere with the rights of other tenants or occupants of the Building, or injure them, or use the Premises or allow them to be used for any unlawful purpose. Tenant shall not cause, maintain or permit any nuisance in, on or about the Premises, or commit or allow any waste in or upon the Premises.

(a) Tenant shall not obstruct any of the Common Areas or any portion of the Property outside the Premises, and shall not place or permit any signs (other than those permitted under Section 10.25), curtains, blinds, shades, awnings, aerials or flagpoles, or the like, visible from outside the Premises.

(b) Tenant shall keep the Premises equipped with all safety appliances required by law because of any use made by Tenant other than office use with customary office equipment, and shall procure all licenses and permits required because of such use. This provision shall not broaden the Permitted Uses.

(c) Tenant shall not place a load upon the floor of the Premises exceeding 100 pounds per square foot. Partitions shall be considered as part of the load. Landlord may prescribe the weight and position of all safes, files and heavy equipment that Tenant desires to place in the Premises, so as properly to distribute their weight. Tenant's business machines and mechanical equipment shall be installed and maintained so as not to transmit noise or vibration to the Building structure or to any other space in the Building. Tenant shall be responsible for the cost of all structural engineering required to determine structural load and all acoustical engineering required to address any noise or vibration caused by Tenant.

(d) Tenant shall be responsible for the cost of replacement bulbs and ballasts used within the Premises and for the maintenance of any supplemental air conditioning units installed within the Premises and will provide Landlord evidence of regular maintenance upon request. If Tenant refuses or neglects to perform any maintenance or repair obligations set forth in this Lease, Landlord shall have the right but not the obligation after notice to Tenant and a reasonable opportunity to cure, to make or cause such repairs to be made at Tenant's expense.

(e) Tenant shall not have vending machines on the Property without the prior written consent of Landlord; provided, that Landlord hereby consents to Tenant having one (1) soda vending machine on each floor within the Premises.

(f) Tenant shall not keep or use any article in the Premises, or permit any activity therein, which is prohibited by a standard insurance policy covering buildings and improvements similar to the Building or any Alterations, or would result in an increase in the premiums thereunder unless Tenant pays for such increase. In determining whether increased premiums are a result of Tenant's activity, a schedule issued by the organization computing the insurance rate on the Building or the Alterations, showing the various components of the rate, shall be conclusive evidence. Tenant shall promptly comply with all reasonable requirements of the insurance authority or of any insurer relating to the Premises. If the use or occupation of the Premises by Tenant or by anyone Tenant allows on the Premises causes or threatens cancellation or reduction of any insurance carried by Landlord, Tenant shall remedy the condition immediately upon notice thereof. Upon Tenant's failure to do so, Landlord may, in addition to any other remedy it has under this Lease but subject to the provisions of Section 5.5, enter the Premises and remedy the condition, at Tenant's cost, which Tenant shall promptly pay as additional rent. Landlord shall not be liable for any damage or injury caused as a result of such an entry, and shall not waive its rights to declare a default because of Tenant's failure.

6.3 Assignment; Sublease.

(a) Tenant shall not assign, mortgage, pledge or otherwise transfer this Lease or make any sublease of the Premises, or permit occupancy of any part thereof by anyone other than Tenant (any such act being referred to herein as a "Transfer") and the other party with whom Tenant undertakes such act being referred to herein as a "Transferee") without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned, or delayed, subject to the other provisions of this Section 6.3. Any Transfer or attempted Transfer not in compliance with all of the terms and conditions set forth in this Section 6.3 shall be void, and shall be a default under this Lease.

(b) If (a) no Event of Default then exists under this Lease, (b) Tenant has not previously assigned or transferred any interest in this Lease to an entity that is not an Affiliate, and (c) the successor to Tenant (other than an Affiliate, provided that any such Transfer to an Affiliate shall only be permitted if the Affiliate in question is an on-going operating entity (and not a holding company) which then intends to occupy a substantial part of the Premises and such transaction is not effectuated for purposes of avoiding the requirements of this Section 6.3) or the transferee of or successor to any of Tenant's rights hereunder has a tangible net worth computed in accordance with generally accepted accounting principles at least equal to the greater of the tangible net worth of Tenant as of the Effective Date or immediately prior to such merger, consolidation or transfer, then Tenant may, without Landlord's consent, assign the Lease or sublease the Premises to (i) an Affiliate (as hereinafter defined), (ii) an entity surviving Tenant by merger or other consolidation, or (iii) an entity acquiring all or substantially all of the business or assets of Tenant (each, a "Permitted Transferee"); provide, in any such case, that (x) Tenant or the assignee or sublessee, as the case may be, provides Landlord with prior written notice of any such assignment or sublease, whether by operation of law or otherwise, (y) any assignee (other than an assignee that succeeds to Tenant's obligations by operation of law) agrees directly with Landlord, by written instrument in form reasonably satisfactory to Landlord, to be bound by all the obligations of Tenant hereunder, and (z) such transfer is for a good business purpose and not principally for the purpose of transferring the Lease. As used herein, "tangible net worth" shall mean the aggregate assets of Tenant excluding all intangible assets, including, but not limited to, goodwill, licenses, trademarks,

patents, copyrights, organization costs, appraisal surplus, officer, stockholder, related entity and employee advances or receivables, mineral rights and the like, less liabilities, all determined in accordance with generally accepted accounting principles.

For the purposes of this Section 6.3, an “Affiliate” is defined as (i) any person or entity which controls, is controlled by, or is under common control with Tenant, (ii) any person, corporation, limited liability company or other entity resulting from the public offering or other such transaction that results in substantially the same management, or from the sale, consolidation or merger of Tenant into or with another entity, (iii) any person, corporation, limited liability company or other entity acquiring a majority of Tenant's issued and outstanding stock or all, or substantially all, of Tenant's business assets provided that such assignee's, sublessee's or transferee's occupancy of and conduct of its business shall be in accordance with the terms, and provisions of this Lease.

(c) Any request by Tenant for Landlord's consent to a Transfer shall include the name of the proposed Transferee, the nature of its business and proposed use of the Premises, reasonable information as to its financial condition, and the terms and conditions of the proposed Transfer. Tenant shall supply such additional information about the proposed Transfer and Transferee as the Landlord reasonably requests. It shall be reasonable for Landlord to refuse consent to any Transfer to any governmental agency, or to any other Transferee who by reputation or expected use is not comparable to the character of the Building, or to any transferee whose financial strength is not at least equivalent to that of Tenant at the time of the Transfer, or to a prospective tenant with whom Landlord has been in discussions in the preceding twelve (12) months; provided that Landlord has, will have in the next twelve (12) months, or can create comparable space in the Building to lease to such prospective tenant.

(d) Any Transfer shall specifically make applicable to the Transferee all of the provisions of this Section so that Landlord shall have against the Transferee all rights with respect to any further Transfer which are set forth herein. No Transfer shall affect the continuing primary liability of Tenant (which shall be joint and several with Transferee). Consent to a Transfer in a specific instance shall not be deemed consent to any subsequent Transfer or a waiver of the requirement of consent to any future Transfer. No Transfer shall be binding upon Landlord or any of Landlord's mortgagees, unless Tenant shall deliver to Landlord a recordable instrument containing a covenant of assumption by the Transferee running to Landlord and all persons claiming by, through or under Landlord. The Transferee's failure to execute such instrument shall not, however, release or discharge Transferee from its liability as a Transferee hereunder. Tenant shall not enter into any Transfer that provides for rental or other payment based on the net income or profits derived from the Premises. With respect to any Transfer, Landlord shall be entitled to receive fifty percent (50%) of all “Bonus Rent,” which Bonus Rent shall be payable by Tenant to Landlord on a monthly basis. For purposes of this Lease, Bonus Rent shall mean all amounts received by Tenant in excess of the Base Rent and additional rent reserved in this Lease and applicable to the space Transferred for the period of the Transfer, minus Tenant's reasonable expenses in connection with such Transfer for brokerage commissions, legal fees, advertising expenses, and Alterations for the benefit of the Transferee.

(e) Subject to the other provisions of this Section 6.3, Tenant shall have the right but not the obligation to provide Landlord with a non-binding request (the “Non-Binding Recapture

Request”) to Transfer or sublet to an entity or entities other than a Permitted Transferee at least fifty percent (50%) or more of the Premises for the remainder of the Term (the “Recapture Premises”). Within ten (10) days of receipt of the Non-Binding Recapture Request Landlord shall respond to Tenant in good faith as to whether or not Landlord will terminate or cancel the lease upon delivery of a subsequent Recapture Notice (as defined below); provided, that Tenant shall have no obligation to deliver a Binding Recapture Notice after Landlord responds to a Non-Binding Recapture Request unless Tenant intends to request to Transfer or sublet the Recapture Premises. If Tenant thereafter delivers a written request to Transfer or sublet to an entity or entities other than a Permitted Transferee the Recapture Premises (a “Binding Recapture Notice”), Landlord shall have an option to cancel and terminate this Lease with respect to the Recapture Premises upon delivery to Tenant of written notice given within thirty (30) days following Landlord’s receipt of such request to Transfer. In each case, such cancellation or termination shall occur as of the date set forth in Landlord’s written notice of exercise of such option, which shall not be less than ninety (90) days nor more than one hundred twenty (120) days following the giving of such written notice. If Landlord exercises Landlord’s option to cancel or terminate this Lease with respect to the Recapture Premises, Tenant shall surrender possession of the Recapture Premises on the date set forth in such notice in accordance with the provisions of this Lease relating to surrender of the Premises at the expiration of the Term. If this Lease is cancelled as to a portion of the Premises only, Base Rent and Tenant’s Percentage after the date of cancellation shall each be abated on a pro rata basis, as determined by Landlord. If Landlord does not exercise Landlord’s option to cancel this Lease or any portion thereof pursuant to the foregoing provisions with respect to any particular Transfer, Landlord’s consent to a subsequent Transfer (other than a Permitted Transfer) shall continue to be required in accordance with the other provisions of this Section 6.3.

(f) Any agreement by which Tenant agrees to enter into or execute any Transfer at the direction of any other party, or assigns its rights in the income arising from any Transfer to any other party, shall itself constitute a Transfer hereunder. If Tenant is a corporation, partnership, or other business organization, the transfer of ownership interests, whether in one transaction or a series, forming a majority of the equity interests in Tenant, shall constitute a Transfer, unless Tenant is a corporation whose stock is traded on an exchange or over the counter.

(g) Notwithstanding any contrary provision of this Lease, Tenant shall have no right to assign this Lease or sublet all or any portion of the Premises and any such assignment or sublease shall be void unless on (i) the date on which Tenant notifies Landlord of its intention to enter into any assignment or sublease or (ii) the date on which such assignment or sublease is to take effect, Tenant is not in default of any of its obligations under this Lease after notice to Tenant and expiration of applicable grace periods.

(h) The Tenant shall reimburse to the Landlord as Additional Rent, upon demand, for any reasonable third party costs that may be incurred by the Landlord in connection with any proposed Transfer and any request for consent thereto, including without limitation the costs of making investigations as to the acceptability of any proposed assignee or subtenant, plus reasonable attorneys’ fees.

6.4 Indemnity; Assumption of Risk.

(a) Tenant, at its expense, shall defend (with counsel satisfactory to Landlord), indemnify and hold harmless Landlord and its agents, employees, invitees, licensees and contractors from and against any cost, claim, action, liability or damage of any kind arising from (i) Tenant's use and occupancy of the Premises and the Property or any activity done or permitted by Tenant in, on, or about the Premises or the Property, (ii) the destruction of or damage to Tenant's personal property, (iii) any breach or default by Tenant of its obligations under this Lease, or (iv) any negligent, tortious, or illegal act or omission of Tenant, its agents, employees, invitees, licensees or contractors, provided that such cost, claim, action, liability or damage is not caused by the negligence or willful misconduct of Landlord or its agents, employees, invitees, licensees and contractors (except as otherwise provided in the last sentence of subsection 6.5(a)).

(b) As a material consideration to Landlord for executing this Lease, Tenant assumes all risk of damage or injury to any person or property in, on, or about the Premises from any cause including, without limitation, injury or damage which may be sustained by the person or property of Tenant, its employees, invitees, or any other person in or about the Premises, caused by or resulting from fire, steam, electricity, gas, water or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction, or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning or lighting fixtures, whether such damage or injury results from conditions arising upon the Premises, any other portion of the Property, or other sources, provided that such damage or injury is not caused by the negligence or willful misconduct of Landlord or its agents, employees, invitees, licensees and contractors (except as otherwise provided in the last sentence of subsection 6.5(a)). Landlord shall not be liable to Tenant or any other person or entity for any damages arising from any act or omission of any other tenant of the Building.

6.5 Tenant's Insurance.

(a) Tenant shall maintain the following insurance at its own expense throughout the Term: (i) Property insurance including standard fire and extended coverage insurance, vandalism and malicious mischief endorsements, and "all-risks" coverage upon the Tenant's Work and all property owned by Tenant and located in the Building, in the full replacement cost thereof, and business interruption; (ii) Commercial General Liability Insurance against any liability arising out of the use, occupancy or maintenance of the Premises or the Property, which insurance may be by a blanket insurance policy and shall provide the following coverages and endorsements: personal injury, broad form property damage, automobile (by separate policy, if necessary), premises/operations, additional insured landlord endorsement and broad form contractual liability, in limits not less than Two Million Dollars (\$2,000,000.00) per occurrence and Five Million Dollars (\$5,000,000) in the aggregate, with a deductible not to exceed Ten Thousand Dollars (\$10,000.00); (iii) any other forms of insurance as Landlord may reasonably require from time to time in form, in amounts and for insurance risks against which a prudent tenant would protect itself in similar facilities in the general area of the Premises. Tenant acknowledges and agrees that such property owned by Tenant shall be at the sole risk and hazard of Tenant, and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft or from any other cause, no part of said loss or damage is to be charged to or be borne by Landlord regardless of any fault of Landlord.

(b) All policies shall (i) be taken out with insurers reasonably acceptable to Landlord, in form satisfactory to Landlord, (ii) include Landlord and any mortgagee of Landlord as additional insureds, as their interests may appear, and (iii) contain a provision that any coverage afforded thereby shall be primary and noncontributing with respect to any insurance carried by Landlord, and any insurance carried by Landlord shall be excess and non-contributing. Landlord may upon thirty (30) days' notice to Tenant require an increase of the limits of the policies carried by Tenant if Landlord reasonably deems such limits to be inadequate when compared to the then existing customary insurance practice in the area. Tenant shall provide certificates of insurance in form satisfactory to Landlord before the Commencement Date, and shall provide certificates evidencing renewal at least ten (10) days before the expiration of any such policy. All policies shall contain an endorsement requiring at least thirty (30) days' prior written notice to Landlord and any mortgagee of Landlord prior to any cancellation or other termination. Notwithstanding the foregoing, Tenant shall provide written notice to Landlord of any such material change or reduction in coverage; provided, however that Tenant's insurance coverage shall at all times comply with the requirements of Landlord's lender.

(c) Upon termination of this Lease pursuant to any casualty, Tenant shall retain any proceeds attributable to Tenant's personal property, trade fixtures, movable partitions, equipment, the Tenant's Work and Alterations not affixed to the Premises, but Tenant shall immediately pay to Landlord any insurance proceeds received by Tenant relating to the Tenant's Work and any Alterations affixed to the Premises unless Landlord has required their removal.

6.6 Right of Entry. Subject to the provisions of Section 5.5 hereof, Tenant shall permit Landlord and its agents to examine the Premises at reasonable times and to make any repairs or replacements Landlord deems necessary; to remove, at Tenant's expense, after reasonable notice to Tenant (except in the case of an emergency in which no notice shall be required), any Alterations, signs, curtains, blinds or the like not consented to by Landlord; and to show the Premises to prospective tenants during the last nine (9) months of the Term and to prospective purchasers and mortgagees at all times.

6.7 Payment of Taxes. Tenant shall pay before delinquency all taxes levied against Tenant's personal property or trade fixtures in the Premises and any Alterations installed by or on behalf of Tenant. If any such taxes are levied against Landlord or its property, or if the assessed value of the Premises is increased by the inclusion of a value placed on Tenant's property, Landlord may pay such taxes, and Tenant shall upon demand repay to Landlord the portion of such taxes resulting from such increase. Tenant may bring suit against the taxing authority to recover the amount of any such taxes, and Landlord shall cooperate therein. The records of the City Assessor shall determine the assessed valuation, if available and sufficiently detailed. If not so available or detailed, the actual cost of construction shall be used.

6.8 Environmental Compliance. Indemnity. Tenant shall not cause any hazardous or toxic wastes, hazardous or toxic substances or hazardous or toxic materials (collectively, "Hazardous Materials") to be used, generated, stored or disposed of on, under or about, or transported to or from, the Premises (collectively, "Hazardous Materials Activities") without first receiving Landlord's written consent, which may be withheld for any reason and revoked at any time. If Landlord consents to any such Hazardous Materials Activities, Tenant shall conduct them in strict compliance (at Tenant's expense) with all applicable Regulations, as hereinafter defined, and using all necessary and appropriate precautions. Landlord shall not be liable to Tenant for any

Hazardous Materials Activities by Tenant, Tenant's employees, agents, contractors, licensees or invitees, whether or not consented to by Landlord. Tenant shall indemnify, defend with counsel acceptable to Landlord and hold Landlord harmless from and against any claims, damages, costs and liabilities arising out of Tenant's Hazardous Materials Activities. For purposes hereof, Hazardous Materials shall include but not be limited to substances defined as "hazardous substances," "toxic substances," or "hazardous wastes" in the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; the federal Hazardous Materials Transportation Act, as amended; and the federal Resource Conservation and Recovery Act, as amended ("RCRA"); those substances defined as "hazardous wastes" in the Massachusetts Hazardous Waste Facility Siting Act, as amended (Massachusetts General Laws Chapter 21D); those substances defined as "hazardous materials" or "oil" in Massachusetts General Laws Chapter 21E, as amended; and as such substances are defined in any regulations adopted and publications promulgated pursuant to said laws (collectively, "Regulations"). Prior to using, storing or maintaining any Hazardous Materials on or about the Premises, Tenant shall provide Landlord with a list of the types and quantities thereof, and shall update such list as necessary for continued accuracy. Tenant shall also provide Landlord with a copy of any Hazardous Materials inventory statement required by any applicable Regulations, and any update filed in accordance with any applicable Regulations. If Tenant's activities violate or create a risk of violation of any Regulations, Tenant shall cease such activities immediately upon notice from Landlord. Tenant shall immediately notify Landlord both by telephone and in writing of any spill or unauthorized discharge of Hazardous Materials or of any condition constituting an imminent hazard under any Regulations. Landlord, Landlord's representatives and employees may enter the Premises at any time during the Term to inspect Tenant's compliance herewith, and may disclose any violation of any Regulations to any governmental agency with jurisdiction. Nothing herein shall prohibit Tenant from using minimal quantities of cleaning fluid and office supplies which may constitute Hazardous Materials but which are customarily present in premises devoted to office use, provided that such use is in compliance with all applicable laws and subject to all of the other provisions of this Section 6.8. Such cleaning fluid and office supplies do not have to be included in the Hazardous Materials List and the use thereof does not require Landlord's consent.

(a) Business. Landlord acknowledges that it is not the intent of this Section to prohibit Tenant from using the Premises for the Permitted Use. Tenant may operate its business according to prudent industry practices so long as the use or presence of Hazardous Materials is strictly and properly monitored according to all then applicable Regulations. As a material inducement to Landlord to allow Tenant to use Hazardous Materials in connection with its business, Tenant agrees to deliver to Landlord prior to the Commencement Date a list identifying each type of Hazardous Materials to be brought upon, kept, used, stored, handled, treated, generated on, or released or disposed of from, the Premises and setting forth any and all governmental approvals or permits required in connection with the presence, use, storage, handling, treatment, generation, release or disposal of such Hazardous Materials on or from the Premises ("Hazardous Materials List"). Tenant shall deliver to Landlord an updated Hazardous Materials List at least once a year and shall also deliver an updated list before any new Hazardous Material is brought onto, kept, used, stored, handled, treated, generated on, or released or disposed of from, the Premises. Tenant shall deliver to Landlord true and correct copies of the following documents (the "Haz Mat Documents") relating to the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials prior to the Commencement Date, or if unavailable at that time, concurrent with the receipt from or submission to a governmental authority: permits; approvals; reports and

correspondence; storage and management plans, notice of violations of any Legal Requirements; plans relating to the installation of any storage tanks to be installed in the Property (provided, said installation of tanks shall only be permitted in compliance with the applicable Regulations and subject to any reasonable conditions or requirements imposed by Landlord); all closure plans or any other documents required by any and all federal, state and local Governmental Authorities for any storage tanks installed in, on or under the Property for the closure of any such tanks; and a Surrender Plan (to the extent surrender in accordance with Section 6.9 cannot be accomplished in 3 months). Tenant is not required, however, to provide Landlord with any portion(s) of the Haz Mat Documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities. It is not the intent of this Section to provide Landlord with information which could be detrimental to Tenant's business should such information become possessed by Tenant's competitors.

(b) Representation and Warranty. Tenant hereby represents and warrants to Landlord that (i) neither Tenant nor any of its legal predecessors has been required by any prior landlord, lender or governmental authority at any time to take remedial action in connection with Hazardous Materials contaminating a property which contamination was permitted by Tenant of such predecessor or resulted from Tenant's or such predecessor's action or use of the property in question, and (ii) Tenant is not subject to any enforcement order issued by any governmental authority in connection with the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials (including, without limitation, any order related to the failure to make a required reporting to any governmental authority). If Landlord determines that this representation and warranty was not true as of the date of this lease, Landlord shall have the right to terminate this Lease in Landlord's sole and absolute discretion.

(c) Testing. If any governmental authority requires testing to determine whether any contamination of the Premises or the Property has occurred as a result of Tenant's use, then Landlord shall have the right to conduct such testing at Tenant's expense. If Tenant conducts its own tests of the Premises using third party contractors and test procedures acceptable to Landlord (and such governmental authority), which tests are certified to Landlord (and such governmental authority), Landlord shall accept such tests in lieu of the tests to be paid for by Tenant. In addition, at any time, and from time to time, prior to the expiration or earlier termination of the Term, Landlord shall have the right to conduct appropriate tests of the Premises and the Property to determine if contamination has occurred as a result of Tenant's use of the Premises. In connection with such testing, upon the request of Landlord, Tenant shall deliver to Landlord or its consultant such non-proprietary information concerning the use of Hazardous Materials in or about the Premises by Tenant or any Tenant Party. If contamination has occurred for which Tenant is liable under this Section, Tenant shall pay all costs to conduct such tests. If no such contamination is found, Landlord shall pay the costs of such tests (which shall not constitute an Operating Expense). Landlord shall provide Tenant with a copy of all third party, non-confidential reports and tests of the Premises made by or on behalf of Landlord during the Term without representation or warranty and subject to a confidentiality agreement. Tenant shall, at its sole cost and expense, promptly and satisfactorily remediate any environmental conditions identified by such testing for which Tenant is responsible hereunder in accordance with all environmental requirements. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights which Landlord may have against Tenant

6.9 Decommissioning.

At least three (3) months prior to the surrender of the Premises, Tenant shall deliver to Landlord a narrative description of the actions proposed (or required by any governmental authority) to be taken by Tenant in order to surrender the Premises (including any installations permitted by Landlord to remain in the Premises) at the expiration or earlier termination of the Term, free from any residual impact from Tenant's operations and otherwise released for unrestricted use and occupancy ("Surrender Plan"). Such Surrender Plan shall be accompanied by a current listing of (i) all Hazardous Materials licenses and permits held by or on behalf of any Tenant Party with respect to the Premises, and (ii) all Hazardous Materials used, stored, handled, treated, generated, released or disposed of from the Premises, and shall be subject to the review and approval of Landlord's environmental consultant. In connection with the review and approval of the Surrender Plan, upon the request of Landlord, Tenant shall deliver to Landlord or its consultant such additional non-proprietary information concerning Tenant's operations as Landlord shall request. On or before such surrender, Tenant shall deliver to Landlord evidence that the approved Surrender Plan shall have been satisfactorily completed and Landlord shall have the right, subject to reimbursement at Tenant's expense as set forth below, to cause Landlord's environmental consultant to inspect the Premises and perform such additional procedures as may be deemed reasonably necessary to confirm that the Premises are, as of the effective date of such surrender or early termination of the Lease, free from any residual impact from Tenant's operations. Tenant shall reimburse Landlord, as Additional Rent, for the actual out-of-pocket expense incurred by Landlord for Landlord's environmental consultant to review and approve the Surrender Plan and to visit the Premises and verify satisfactory completion of the same, which cost shall not exceed \$5,000. Landlord shall have the unrestricted right to deliver such Surrender Plan and any report by Landlord's environmental consultant with respect to the surrender of the Premises to third parties.

If Tenant shall fail to prepare or submit a Surrender Plan approved by Landlord, or if Tenant shall fail to complete the approved Surrender Plan, or if such Surrender Plan, whether or not approved by Landlord, shall fail to adequately address any residual effect of Tenant's operations in, on or about the Premises, Landlord shall have the right to take such actions as Landlord may deem reasonable or appropriate to assure that the Premises and the Property are surrendered free from any residual impact from Tenant's operations, the cost of which actions shall be reimbursed by Tenant as Additional Rent, without regard to the limitation set forth in the first paragraph of this Section

Prior to the expiration of this Lease (or within thirty (30) days after any earlier termination), Tenant shall clean and otherwise decommission all interior surfaces (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing in and/or exclusively serving the Premises, and all exhaust or other ductwork in and/or exclusively serving the Premises, in each case which has carried or released or been exposed to any Hazardous Materials so as to permit the report hereinafter called for by this Section to be issued. Without limiting the generality of the foregoing, the areas subject to such cleaning, decommissioning and reporting shall include chemical storage areas and containers and pipes and ducts exposed to Hazardous Materials. Prior to the expiration of this Lease (or within thirty (30) days after any earlier termination), Tenant, at Tenant's expense, shall obtain for Landlord a report addressed to Landlord (and, at Tenant's election, Tenant) by a reputable licensed environmental engineer that is designated by Tenant and

acceptable to Landlord in Landlord's reasonable discretion, which report shall be based on the environmental engineer's inspection of the Premises and shall show:

(i) that the Hazardous Materials to the extent, if any, existing prior to such decommissioning, have been removed as necessary so that the interior surfaces of the Premises (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing, and all such exhaust or other ductwork in and/or exclusively serving the Premises, may be reused by a subsequent tenant or disposed of in compliance with applicable Regulations (as defined in Section 6.8) without taking any special precautions for Hazardous Materials, without incurring special costs or undertaking special procedures for demolition, disposal, investigation, assessment, cleaning or removal of Hazardous Materials and without incurring regulatory compliance requirements or giving notice in connection with Hazardous Materials; and

(ii) that the Premises may be reoccupied for the Permitted Uses hereunder, or demolished or renovated without taking any special precautions for Hazardous Materials, without incurring special costs or undertaking special procedures for disposal, investigation, assessment, cleaning or removal of Hazardous Materials and without incurring regulatory requirements or giving notice in connection with Hazardous Materials.

For purposes of clause (ii) above: "special costs" or "special procedures" shall mean costs or procedures, as the case may be, that would not be incurred but for the nature of the Hazardous Materials as Hazardous Materials instead of non-hazardous materials. The report shall include reasonable detail concerning the clean-up location, the tests run and the analytic results.

If Tenant fails to perform its obligations under this Section, without limiting any other right or remedy, Landlord may, on five (5) business days' prior written notice to Tenant perform such obligations at Tenant's expense, and Tenant shall promptly reimburse Landlord as additional rent upon demand for all costs and expenses reasonably incurred together with an administrative charge equal to ten percent (10%) of such costs and expenses.

To the extent that Tenant surrenders any portion of the Premises to Landlord pursuant to an applicable provision of this Lease or otherwise, Tenant's obligations under this Section shall apply with respect to such surrendered portion of the Premises at the time of such surrender, and such surrender shall not be deemed to have occurred until Tenant's obligations under this Section shall have been satisfied.

Tenant's obligations under this Section shall survive the expiration or earlier termination of this Lease.

ARTICLE VII - DEFAULT

7.1 Events of Default.

(a) The occurrence of any one or more of the following events shall constitute a default hereunder by Tenant:

(i) The failure by Tenant to make any payment of Base Rent or additional rent or any other payment required hereunder, as and when due, where such failure shall continue for a period of five (5) business days after written notice thereof from Landlord to Tenant.

(ii) The vacating or abandonment of the Premises by Tenant or failure to use the Premises for Tenant's business operations except due to closures pertaining to permitted alterations or casualty, remediation or Force Majeure.

(iii) The failure by Tenant to observe or perform any of the express or implied covenants or provisions of this Lease to be observed or performed by Tenant, other than as specified in clauses (i) and (ii) above, where such failure shall continue for a period of more than thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant shall commence such cure within said thirty-day period and thereafter diligently prosecute such cure to completion, which completion shall occur not later than ninety (90) days from the date of such notice from Landlord.

(iv) The failure by Tenant or any guarantor of any of Tenant's obligations under this Lease to pay its debts as they become due, or Tenant or any such guarantor becoming insolvent, filing or having filed against it a petition under any chapter of the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. (or any similar petition under any insolvency law of any jurisdiction), proposing any dissolution, liquidation, composition, financial reorganization or recapitalization with creditors, making an assignment or trust mortgage for the benefit of creditors, or if a receiver, trustee, custodian or similar agent is appointed or takes possession with respect to any property or business of Tenant or such guarantor.

(b) In the event of any such default by Tenant, whether or not the Term shall have begun, in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option, or the option at any time while such default exists and without further notice, to terminate this Lease and all rights of Tenant hereunder by notice to Tenant; and this Lease shall thereupon come to an end as fully and completely as if the date such notice is given were the date herein originally fixed for the expiration of the Term, and Tenant shall then quit and surrender the Premises to Landlord, but Tenant shall remain liable as hereinafter provided.

7.2 Damages.

(a) In the event that this Lease is terminated under any of the provisions contained in Section 7.1 or shall be otherwise terminated for breach of any obligation of Tenant, Tenant covenants to pay forthwith to Landlord, as compensation, the excess of the total rent reserved for the residue of the Term over the rental value of the Premises for said residue of the Term. In calculating the rent reserved there shall be included, in addition to the Base Rent and all additional rent, the value of all other considerations agreed to be paid or performed by Tenant for said residue. Tenant further covenants as an additional and cumulative obligation after any such termination to pay punctually to Landlord all the sums and perform all the obligations which Tenant covenants

in this Lease to pay and to perform in the same manner and to the same extent and at the same time as if this Lease had not been terminated. In calculating the amounts to be paid by Tenant under the immediately preceding covenant Tenant shall be credited with any amount paid to Landlord as compensation as in this Section 7.2 provided and also with the net proceeds of any rent obtained by Landlord by reletting the Premises, after deducting all Landlord's reasonable expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, fees for legal services and expenses of preparing the Premises for such reletting, it being agreed by Tenant that Landlord may (i) relet the Premises or any part or parts thereof, for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the Term and may grant such concessions and free rent as Landlord in its sole judgment considers advisable or necessary to relet the same, and (ii) make such alterations, repairs and decorations in the Premises as Landlord in its sole judgment considers advisable or necessary to relet the same, and no action of Landlord in accordance with the foregoing or failure to relet or to collect rent under reletting shall operate or be construed to release or reduce Tenant's liability as aforesaid. Notwithstanding the foregoing, if an Event of Default of Tenant occurs and this Lease is terminated as provided herein, then Tenant shall also pay to Landlord all of Landlord's unamortized transaction costs relating to the execution of this Lease and costs of special inducements provided to Tenant (including without limitation brokerage fees, rent concessions, tenant improvement allowances, rent waivers, demising and construction costs, attorneys' fees, and the like).

(b) In lieu of any other damages or indemnity and in lieu of full recovery by Landlord of all sums payable under all the foregoing provisions of this Section 7.2, Landlord may by written notice to Tenant, at any time after this Lease is terminated under any of the provisions contained in Section 7.1 or is otherwise terminated for breach of any obligation of Tenant and before such full recovery, elect to recover, and Tenant shall thereupon pay, as liquidated damages, an amount equal to the aggregate of the Base Rent and additional rent accrued under Sections 3.1 and 3.2 in the 12 months ended next prior to such termination plus the amount of Base Rent and additional rent of any kind accrued and unpaid at the time of termination and less the amount of any recovery by Landlord under the foregoing provision of this Section 7.2 up to the time of payment of such liquidated damages.

(c) Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be provided, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

(d) Landlord's remedies under this Lease are cumulative and not exclusive of any other remedies to which Landlord may be entitled in case of Tenant's breach or threatened breach of this Lease. Landlord shall be entitled to the remedies of injunction and specific performance with respect to any such breach.

ARTICLE VIII - CASUALTY AND EMINENT DOMAIN

Termination or Restoration; Rent Adjustment. In case prior to or during the Term all or any part of the Premises are damaged by fire or other casualty or by action of public or other authority in consequence thereof, or taken by eminent domain or access to the Building is eliminated by virtue of a taking by eminent domain or Landlord receives compensable damage by reason of anything lawfully done in pursuance of public or other authority to such an extent that it is determined by the Landlord that the Premises shall not be restored, this Lease shall by notice to Tenant from Landlord terminate, which may be made notwithstanding Landlord's entire interest may have been divested. The effective date of termination specified by Landlord shall not be less than forty-five (45) nor more than ninety (90) days after the date of notice of such termination. Further, during the Term, in the event of (a) damage to the Premises which makes a material portion of the Premises unfit for use and occupancy, or (b) damage to a material portion of the common facilities necessary for the practical use and enjoyment of the Premises (including, without limitation, any material portion of the common facilities which provide access to the Premises), or (c) a permanent taking of a material portion of the Premises, or (d) a permanent taking of a material portion of the common facilities necessary for the practical use and enjoyment of the Premises (including, without limitation, any material portion of the common facilities which provide access to the Premises), Tenant may, by notice given to Landlord within 30 days of such casualty or taking, notify Landlord of its desire to terminate this Lease. If such a notice is given, this Lease shall terminate 90 days after such notice is given unless, in the case of (a) or (b) above, within 90 days of the giving of such notice, Landlord delivers to Tenant its certification ("Landlord's Restoration Certification") that the Landlord intends to restore the Premises and the common facilities, as the case may be, to substantially the condition they were in prior to such casualty or taking within 365 days of the event giving rise to such notice ("Outside Restoration Date"), and in the case of (d) above, the Landlord intends to replace what remains of the common facilities by the Outside Restoration Date so that Tenant will again be able to have the practical use and enjoyment of the Premises to substantially the same extent as prior to such taking. Unless terminated pursuant to the foregoing provision, this Lease shall remain in full force and effect following any damage or taking, subject, however, to the following provisions, and subject further to the additional right of Tenant to terminate this Lease if the restoration of the Premises or the common facilities has not occurred by the Outside Restoration Date (such date being extended by the number of days, not to exceed 90 in the aggregate, specified in a notice or notices given from time to time by Landlord to Tenant prior to the then applicable Outside Restoration Date, of delays in completion attributable to the occurrence of a Force Majeure Event). Tenant may not exercise such additional right to terminate this Lease except within 30 days after the Outside Restoration Date (as so extended by such a notice or notices). Notwithstanding the foregoing, upon the occurrence of a casualty or taking of the nature hereinabove described in clauses (a), (b), (c) or (d), which occurs within the last thirty (30) months of the Term, Landlord shall have the option to terminate this Lease upon written notice to Tenant.

If in any such case the Premises or any portion thereof are rendered unfit for use and occupation or any portion of the common facilities necessary for the practical use and enjoyment of the Premises are unavailable for use and this Lease is not so terminated, Landlord shall use due diligence (following the expiration of the period in which this Lease may be terminated pursuant to the foregoing provisions of this Section 6.1.2), subject to the availability of insurance proceeds and consent of the holders of any mortgages on the Property, Building or both, to put the Premises,

and any portion of the common facilities necessary for the practical use and enjoyment of the Premises or in case of a taking what may remain thereof (excluding in case of both damage and taking any items installed or paid for by Tenant), into proper condition for use and occupation. A just proportion of the fixed rent and additional rent according to the nature and extent of the injury shall be abated from the time of the damage or taking until the Premises or such portion of the common facilities or such remainder shall have been put into proper condition for use and occupation or until termination of this Lease, and in case of a taking which permanently reduces the area of the Premises, a just proportion of the fixed rent and additional rent shall be abated for the remainder of the Term, but only to the extent such abatement is covered by lost rentals insurance for the benefit of the Landlord. To the extent that any damage occurs through the gross negligence or misconduct of Tenant or persons acting under Tenant or if any act or neglect of Tenant or such persons prevents Landlord or its Mortgagees from collecting all insurance proceeds, then the cost of repairing the casualty damage shall be paid by Tenant except to the extent any insurance proceeds are actually received by Landlord or Mortgagees (they being under no obligation to litigate their entitlement), and there shall be no abatement of rent. Notwithstanding to the contrary contained herein, Landlord shall have no obligation to restore any items or elements installed or paid for by Tenant which Tenant is permitted or required to remove upon expiration of the Term (which items shall be Tenant's responsibility to repair).

8.1 Eminent Domain Damages. Landlord reserves to itself any and all rights to receive awards made for damages to the Premises and Building and the leasehold hereby created, or any one or more of them, accruing by reason of exercise of eminent domain or by reason of anything lawfully done in pursuance of public or other authority. Tenant hereby releases and assigns to Landlord all Tenant's rights to such awards, and covenants to deliver such further assignments and assurances thereof as Landlord may from time to time request, hereby irrevocably designating and appointing Landlord as its attorney-in-fact to execute and deliver in Tenant's name and behalf all such further assignments thereof. Nothing contained herein shall be deemed to preclude Tenant from obtaining, or to give Landlord any interest in, any separate award to Tenant for loss or damage to Tenant's removable personal property or Tenant's relocation costs.

8.2 Temporary Taking. In the event of any taking of the Premises or any part thereof for temporary use, (i) this Lease shall be and remain unaffected thereby and rent shall not abate, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking which is within the Term, provided that if such taking shall remain in force at the expiration or earlier termination of this Lease, Tenant shall then pay to Landlord a sum equal to the reasonable cost of performing Tenant's obligations under Section 6.1 with respect to surrender of the Premises and upon such payment shall be excused from such obligations.

ARTICLE IX - RIGHTS OF PARTIES HOLDING PRIOR INTERESTS

9.1 Lease Subordinate - Superior. This Lease shall be subject and subordinate to any institutional first mortgage ("Mortgage") now or hereinafter placed on the Property, the Building, or both, or any portion or portions thereof or interest therein, which are separately and together hereinafter in this Article IX referred to as "the mortgaged premises", and to each advance made or hereafter to be made under any Mortgage, and to all renewals, modifications, consolidations, replacements and extensions thereof and all substitutions therefor.

In the event that any mortgagee or its successor in title shall succeed to the interest of Landlord, then, Tenant shall and does hereby agree to attorn to such mortgagee or successor and to recognize such mortgagee or successor as its Landlord. Any claim by Tenant under the Lease against the mortgagee or such successor shall be satisfied solely out of the mortgagee's or such successor's interest in the Premises and Tenant shall not seek recovery against or out of any other assets of mortgagee or such successor. Notwithstanding the foregoing, any mortgagee may at its election subordinate its Mortgage to this Lease without the consent or approval of Tenant. This Section shall be self-operative. Tenant agrees to execute and deliver promptly any appropriate certificates or instruments requested by Landlord or any mortgagee to carry out the subordination and attornment agreements contained in this Section 9.1; provided that no such certificates or instruments shall modify Tenant's rights or obligations under this Lease. Landlord shall use reasonable efforts, at Tenant's expense, to obtain a subordination, non-disturbance and attornment agreement from the holder of the existing Mortgage on the Property on such holder's standard form of agreement prior to the Commencement Date.

9.2 Rights of Mortgagee to Cure. No act or failure to act on the part of Landlord which would entitle Tenant, under the terms of this Lease or as a matter of law, to be released from Tenant's obligations hereunder or to terminate this Lease shall result in a release of such obligations or a termination of this Lease unless Tenant first gives written notice of and a specific description of Landlord's act or failure to act to Landlord's mortgagees of whom Tenant has been given written notice by Landlord, if any, and such mortgagee fails to cure such default within thirty (30) days after receipt of such notice. However, if such cure reasonably requires more than thirty (30) days to effect, such mortgagee shall have such additional time as is reasonably necessary in the circumstances, including time to take possession of the Property. This section shall not impose any obligation on any such mortgagee. Landlord shall, from time to time, notify Tenant as to the identity of Landlord's mortgagees; provided, however, that Tenant's execution of estoppel certificates, nondisturbance agreements or similar agreements which identify Landlord's mortgagee shall be deemed to be notice to Tenant hereunder.

ARTICLE X - MISCELLANEOUS

10.1 Representations by Tenant.

Tenant represents and warrants that any financial statements provided by it to Landlord were true, correct and complete when provided, and that no material adverse change has occurred since that date that would render them inaccurate or misleading. Each party represents and warrants to the other party that those persons executing this Lease on its behalf are duly authorized to execute and deliver this Lease on its behalf, and that this Lease is binding upon such party in accordance with its terms and upon execution of this Lease, each party shall deliver evidence of such authority to the other party in form satisfactory to the other party.

10.2 Notices. Any notice required or permitted hereunder shall be in writing. Communications shall be addressed to Landlord at Landlord's Address and to Tenant at Tenant's Address. Any communication so addressed shall be deemed duly given when delivered by hand, one day after being sent by Federal Express (or other guaranteed one day delivery service) or three days after being sent by registered or certified mail, return receipt requested. Either party may change its address by giving notice to the other.

10.3 No Waiver or Oral Modification. No provision of this Lease shall be deemed waived by Landlord or Tenant except by a signed written waiver. No consent to any act or waiver of any breach or default, express or implied, by Landlord or Tenant, shall be construed as a consent to any other act or waiver of any other breach or default. Landlord's failure to enforce any covenant or condition of this Lease shall not be deemed a waiver thereof, and its failure to enforce any of the Rules and Regulations against Tenant or any other tenant in the Building shall not be deemed a waiver thereof. The receipt by Landlord of any rent with knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach, and the acceptance of any rental payment in any amount less than the full sum due shall not constitute a waiver of any claim to the remaining balance. This Lease may not be changed or amended orally, but only by written instrument.

10.4 Partial Invalidity. If any provision of this Lease, or the application thereof in any circumstances, shall to any extent be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each provision hereof shall be valid and enforceable to the fullest extent permitted by law.

10.5 Certain Landlord Remedies. If Tenant fails to perform any obligation hereunder, Landlord may, upon ten (10) days prior written notice to Tenant (except in the case of emergency in which case no notice shall be required), enter the Premises and perform it on Tenant's behalf. In so doing, Landlord may make any payment of money or perform any other act. All sums so paid by Landlord, and all incidental costs and expenses, shall be considered additional rent under this Lease and shall be payable to Landlord immediately on demand, together with interest from the date of demand to the date of payment at the "Interest Rate." For purposes of this Lease, the Interest Rate shall mean the lesser of the maximum interest rate permitted by law or three (3) percentage points above the then prevailing prime rate as set by Bank of America in its main office in Boston, MA (or, if such bank ceases to exist, the then largest bank in the Commonwealth of Massachusetts).

10.6 Tenant's Estoppel Certificate. Within ten (10) business days after written request by Landlord, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying (a) that this Lease is unmodified and in full force and effect, or is in full force and effect as modified and stating the modifications; (b) the amount of Base Rent and the date to which Base Rent and additional rent have been paid in advance; (c) the amount of any security deposited with or for the benefit of Landlord; and (d) that, to Tenant's actual knowledge, Landlord is not in default hereunder or, if Landlord is claimed to be in default, stating the nature of any claimed default, and (e) such other matters as may be reasonably requested by Landlord. Any such statement may be relied upon by a purchaser, assignee or lender. Tenant's failure to execute and deliver such statement within the time required shall be a default under this Lease and shall also be conclusive upon Tenant that (1) this Lease is in full force and effect and has not been modified except as represented by Landlord; (2) there are no uncured defaults in Landlord's performance and Tenant has no right of offset, counterclaim or deduction against rent; and (3) not more than one month's Base Rent has been paid in advance. In connection with any Transfer of this Lease or major corporate financing by Tenant, Landlord shall, within twenty (20) days after written request by Tenant, acknowledge and deliver to Tenant a written statement containing substantially similar certifications regarding Tenant to those listed above regarding Landlord (provided that Tenant reimburses Landlord for its reasonable legal and other expenses in connection with such request).

10.7 Waiver of Subrogation. Landlord and Tenant each hereby waive all rights of recovery against the other and against the officers, employees, agents, and representatives of the other, on account of loss by or damage to the waiving party or its property or the property of others under its control, to the extent that such loss or damage is insured against under any insurance policy that either may have in force at the time of the loss or damage. Each party shall notify its insurers that the foregoing waiver is contained in this Lease. Landlord and Tenant shall cause each insurance policy obtained by each of them to provide that the insurer waives all right of recovery by way of subrogation against either Landlord or Tenant in connection with any loss or damage covered by such policy.

10.8 All Agreements; No Representations. This Lease contains all of the agreements of the parties with respect to the subject matter hereof and supersedes all prior dealings between them with respect to such subject matter. Each party acknowledges that the other has made no representations or warranties of any kind except as may be specifically set forth in this Lease.

10.9 Brokerage. Each party represents and warrants that it has not dealt with any real estate broker or agent in connection with this Lease or its negotiation other than the "Brokers" identified in Section 1.2 who shall be paid by Landlord pursuant to a separate agreement. Each party shall indemnify the other and hold it harmless from any cost, expense, or liability (including costs of suit and reasonable attorneys' fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this Lease or its negotiation by reason of any act or statement of the indemnifying party.

10.10 Successors and Assigns. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the original Landlord named herein and each successive owner of the Premises shall be liable only for obligations accruing during the period of their respective ownership; provided further, that Tenant's right to make a Transfer shall always be governed by Section 6.3 hereof.

10.11 Construction of Document. This Lease shall be construed, governed and enforced according to the laws of the state where the Property is located. In construing this Lease, section headings shall be disregarded. Any recitals herein or riders or exhibits attached hereto are hereby incorporated into this Lease by this reference. Time is of the essence of this Lease and every provision contained herein. The parties acknowledge that this Lease was freely negotiated by both parties, each of whom was represented by counsel; accordingly, this Lease shall be construed according to the fair meaning of its terms, and not against either party.

10.12 Disputes Provisions.

(a) If either Landlord or Tenant institutes any action to enforce the provisions of this Lease or to seek a declaration of rights hereunder, the prevailing party shall be entitled to recover its reasonable attorneys' fees and court costs as part of any award.

(b) Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other, on or in respect to any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord

and Tenant hereunder, Tenant's use or occupancy of the Premises, and/or claim of injury or damage.

10.13 Surrender. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies.

10.14 Holdover. If Tenant holds over in occupancy of the Premises after the expiration of the Term, Tenant shall become a tenant at sufferance only, at a rental rate equal to the greater of: (i) one hundred fifty (150%) percent of the Rent in effect at the end of the Term; and (ii) the fair market rent in effect at such time as reasonable determined by Landlord, and otherwise subject to the terms and conditions herein specified, so far as applicable, and shall be liable for all damages sustained by Landlord on account of such holding over. This Section shall not operate as a waiver of any right of reentry provided in this Lease, and Landlord's acceptance of rent after expiration of the Term or earlier termination of this Lease shall not constitute consent to a holdover or result in a renewal. If Tenant fails to surrender the Premises upon the expiration of the Term or earlier termination despite demand by Landlord to do so, Tenant shall indemnify and hold Landlord harmless from all direct and indirect loss or liability, including, without limitation, any claim made by any succeeding tenant resulting from such failure.

10.15 Late Payment. Tenant acknowledges that the late payment by Tenant to Landlord of any sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impractical to ascertain. Therefore, if any monthly payment is not paid on or by the date it is due more than once during any twelve (12) month period, Tenant shall pay to Landlord an administrative fee equal to ten percent (10%) of the unpaid amount. In addition, Tenant shall pay to the Landlord interest at a rate of 1.5% per month on all sums whatever becoming due under this lease, and not paid within five (5) days after their due date, if called upon the Landlord to do so. Landlord's acceptance of any late charge or interest shall not constitute a waiver of Tenant's default with respect to the overdue amount.

10.16 Force Majeure. If Landlord or Tenant is prevented from or delayed in performing any act required of it hereunder, and such prevention or delay is caused by strikes, labor disputes, inability to obtain labor, materials, or equipment, inclement weather, acts of God, governmental restrictions, regulations, or controls, judicial orders, enemy or hostile government actions, civil commotion, fire or other casualty, pandemic, epidemic, contagion, or other causes beyond such party's reasonable control (collectively, "Force Majeure"), the performance of such act shall be excused for a period equal to the period of prevention or delay. A party's financial inability to perform its obligations shall in no event constitute Force Majeure. Nothing in this section shall excuse or delay Tenant's obligation to pay any rent or other charges due under this Lease.

Notwithstanding the foregoing, Tenant agrees that, except to the extent otherwise expressly set forth in this Lease, no force majeure event including without limitation any circumstances related to COVID-19 or any epidemic, pandemic, state of emergency, government orders, government shutdowns, unavailability of labor, or materials or reasonable substitutes therefor, or other causes beyond any party's reasonable control that relates thereto, including any closures of, or restrictions of access to, the Premises or access thereto, or ceasing of operations by Landlord,

its affiliates, or any other tenants or occupants, whether voluntary or pursuant to governmental request or order, shall give rise to any right to withhold the payment of rent or any claims of constructive eviction, casualty, condemnation, the right to exercise any other remedy of Tenant under the Lease, or default by Landlord under the Lease, all of which are hereby waived by Tenant.

10.17 Limitation On Liability. In consideration of the benefits accruing hereunder, Tenant hereby covenants and agrees that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

(a) The obligations of Landlord under this Lease do not constitute personal obligations of the managers, members, individual partners, directors, officers or shareholders of Landlord or any constituent managers or members of Landlord's members, and Tenant shall not seek recourse against the managers, members, partners, directors, officers or shareholders of Landlord, or any constituent managers or members of Landlord's members or any of their personal assets for satisfaction of any liability with respect to this Lease.

(b) Tenant's sole and exclusive remedy shall be against the Landlord's interest in the Property.

(c) Neither Landlord's managers or members nor any constituent managers or members of Landlord's members shall be sued, named as a party in any suit or action, or served with process therein (except if necessary to secure jurisdiction), and neither Landlord's managers or members nor any constituent managers or members of Landlord's members shall be required to respond in their respective individual capacity to any service of process.

(d) No judgment will be taken against Landlord's managers or members nor any constituent managers or members of Landlord's members, and no writ of execution will be levied against the assets of Landlord's managers or members nor any constituent managers or members of Landlord's members.

(e) These covenants and agreements of this Section are enforceable both by Landlord and also by Landlord's managers and members, and any constituent managers or members of Landlord's members, and shall bind Tenant and its successors and assigns.

(f) In no event shall the Landlord be liable to the Tenant (or any person claiming under Tenant) for any special, consequential or indirect damages suffered by any person or entity by reason of a default by the Landlord under any provisions of this Lease. It is expressly agreed by Landlord and Tenant that business interruption costs and expenses are indirect and consequential damages under the terms of this Lease.

10.18 Financial Statements. Tenant shall furnish, within fifteen (15) days of Landlord's request therefor, but not more frequently than once every twelve (12) months during the Term unless in connection with the sale or financing of the Property, Tenant's most recent accurate, up-to-date, audited if available, financial statements of Tenant showing Tenant's financial condition for the preceding fiscal year; provided, however, that if Tenant's financial statements are filed publicly with the United States Securities and Exchange Commission, Tenant shall not be required

to furnish such financial statements directly to Landlord. Unless public by other means, Landlord will maintain confidential such statement, except as required by as applicable law or court order; however Landlord may provide such statements to Landlord's prospective and actual lenders and purchasers, and its and their accountants, attorneys and partners, as long as Landlord advises the recipients of the existence of Landlord's confidentiality obligation. So long as Tenant is a publicly-traded company that makes public reports as required by the Securities and Exchange Commission, those publicly-available reports shall satisfy all obligations of Tenant under this Section. So long as Tenant remains a publicly-traded company that makes public reports as required by the Securities and Exchange Commission, those publicly-available reports shall satisfy all obligations of Tenant under this Section.

10.19 Submission Not An Option.

The submission of this Lease or a summary of some or all of its provisions for examination by Tenant does not constitute a reservation of the Premises for Tenant or an offer to lease the Premises to Tenant or the grant of an option for the Premises to Tenant, notwithstanding any contrary provision of statutory or common law.

10.20 Security Deposit.

Tenant agrees that the Security Deposit shall be in the form of a letter of credit issued by Silicon Valley Bank (the "Bank") to be delivered within fifteen (15) days after the execution of this Lease, the letter of credit shall be an irrevocable letter of credit (the "Letter of Credit"), issued in a form and by a bank approved by Landlord in the amount of the Security Deposit. Without limiting the generality of the foregoing, the Letter of Credit shall name Landlord as the beneficiary and provide that it may be negotiated or drawn against upon the furnishing of a statement to the Bank, from an authorized officer or agent of Landlord, that the Letter of Credit is being drawn upon in accordance with the terms of this Lease. Landlord shall hold the Letter of Credit as security for the performance by Tenant of all obligations on the part of Tenant to be kept and performed. Landlord shall have the right, from time to time upon an Event of Default that remains uncured, without prejudice to any other remedy Landlord may have on account thereof, to draw upon the Letter of Credit and apply such funds to Landlord's damages arising from any default on the part of Tenant, in which event Tenant shall restore the balance of the Letter of Credit to the amount required hereunder. Tenant shall maintain the Letter of Credit, or a substitute Letter of Credit from a bank reasonably approved by Landlord, in accordance with the terms hereof, in full force and effect at all times during the entire Term and for a period of thirty (30) days thereafter (the last day of such 30 day period shall be referred to herein as the "Return Date").

If the Letter of Credit shall expire before the Return Date, Tenant shall replace the Letter of Credit deposited with Landlord by providing Landlord with a substitute Letter of Credit at least thirty (30) days prior (each such 30th day prior being referred to herein as a "Change Date") to the expiration date of then effective Letter of Credit being held by Landlord, in the applicable amount required hereby. Any failure by Tenant to provide such a substitute Letter of Credit shall be an Event of Default under this Lease for which there shall be no grace period and shall entitle Landlord to draw on all funds available under the Letter of Credit then being held by Landlord as amounts due hereunder and hold the same as security for Tenant's performance of its obligations under this Lease. The Security Deposit shall not be used by Tenant as a payment of rent due for the final months of the Term.

After the third Lease Year, the amount of the Security Escrow shall be reduced to \$700,000 upon Tenant's written request to Landlord provided that (a) no Event of Default has occurred and (b) Tenant achieves an average market capitalization of at least \$350 million during the third Lease Year and during the last three months of the third Lease Year. After the fifth Lease Year, the amount of the Security Escrow shall be reduced to \$500,000 upon Tenant's written request to Landlord provided that (a) no Event of Default has occurred and (b) Tenant achieves an average market capitalization of at least \$500 million during the fifth Lease Year and during the last three months of the fifth Lease Year. Within thirty (30) days following receipt of Tenant's written request for a permitted reduction, any portion of the Security Deposit in excess of the respective reduced amounts shall, if held by Landlord in cash, be refunded to Tenant, without interest, or Landlord shall agree to an appropriate replacement or amendment of the Letter of Credit in order to effect such reduction with all costs and fees borne by Tenant.

10.21 Evidence of Authority. Simultaneously with the execution hereof, Tenant shall deliver to Landlord evidence, satisfactory to Landlord's counsel, as to the authority of the persons executing this Lease on behalf of Tenant to enter into, execute, deliver and bind Tenant to this Lease.

10.22 Recording of Lease. Tenant agrees not to record this Lease, but upon request of either party, both parties shall execute and deliver a notice of this Lease in form appropriate for recording or registration, and if this Lease is terminated before the Term expires, an instrument in such form acknowledging the date of termination. This provision shall survive the expiration or earlier termination of the Lease.

10.23 Option to Extend. Provided that (i) no Event of Default shall exist at the time such option is exercised or at the commencement of the Extension Term, and (ii) this Lease remains in full force and effect and Tenant or a Permitted Transferee remains in occupancy of the Premises, Tenant may elect to extend the Term of this Lease for two (2) additional periods of seven (7) years each (each, an "Extension Term"), by giving Landlord notice of such election no sooner than eighteen (18) months earlier than and no later than fifteen (15) months prior to the Expiration Date of the original term or first Extension Term, as the case may be. Such extension shall be upon the terms, covenants, and conditions contained in this Lease except that after the exercise of the second Extension Term, Tenant shall have no further right to extend the Lease Term and except that the Base Rent for each Extension Term shall be at fair market rent for comparable space in comparable properties in the Route 3/Route 495 area and not less than the then current Base Rent in effect during the last year of the original term or first Extension Term, as the case may be.

If Landlord and Tenant are unable to agree on the amount of such fair market rent by the date that is thirty (30) days after the date of Tenant's election notice based on rental rates and terms for comparable space in the Route 3/Route 495 area, then Landlord shall promptly specify in writing the rent ("Landlord's Rental Rate") at which Landlord is willing to lease the Premises for the applicable Extension Term and Tenant shall promptly specify in writing the rent ("Tenant's Rental Rate") which Tenant is willing to pay for the Premises for the Extension Term and the amount of the fair market rent shall be established by appraisal in the following manner. The Landlord and Tenant shall each appoint one appraiser and the two appraisers so appointed shall determine the fair market rent within thirty days of Tenant's election notice. If such appraisers are unable to agree on the amount of such fair market rent within such thirty (30) day period, they

shall appoint a third appraiser within ten (10) days of the expiration of such period, who shall be instructed to select, as between the rents chosen by the two appraisers, the rent that is closest to the third appraiser's estimate of fair market rent. The fair market rent shall be the amount so selected by the third appraiser and shall be conclusive on the Landlord and Tenant.

Each party shall bear the cost of its appraiser, and the cost of the third appraiser shall be split equally between parties. The third appraiser's estimate shall be based on the data supplied and used by the original two appraisers and the findings made by the third appraiser shall be set forth in writing.

Tenant's rights under this Section are personal to Tenant and shall not apply to any Transferee of Tenant (other than a Permitted Transferee) and shall not be assignable or exercisable by any other person or entity. If at any time during the Term Tenant has sublet the Premises (not including Transfers to Permitted Transferees), then Tenant's rights under this Section shall thereafter be null and void and of no further force or effect.

10.24 OFAC List.

Tenant represents and warrants that it is not listed, nor is it owned or controlled by, or acting for or on behalf of any person or entity, on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the United States Department of the Treasury, or any other list of persons or entities with whom Landlord is restricted from doing business with ("OFAC List"). Notwithstanding anything to the contrary herein contained, Tenant shall not permit the Premises or any portion thereof to be used, occupied or operated by or for the benefit of any person or entity that is on the OFAC List. Tenant shall provide documentary and other evidence of Tenant's identity and ownership as may be reasonably requested by Landlord at any time to enable Landlord to verify Tenant's identity or to comply with any legal requirement or applicable laws. Tenant acknowledges and agrees that as a condition to the requirement or effectiveness of any consent to any Transfer by Landlord pursuant to Section 6.3, Tenant shall cause the Transferee, for the benefit of Landlord, to reaffirm, on behalf of such Transferee, the representations of, and to otherwise comply with the obligations set forth in, this Section, and it shall be reasonable for Landlord to refuse to consent to a Transfer in the absence of such reaffirmation and compliance. Tenant agrees that breach of the representations and warranties set forth in this Section shall at Landlord's election be a default under this Lease. This Section shall survive the termination or earlier expiration of the Lease.

10.25 Signage.

So long as Tenant is leasing and in possession of the Premises and no Event of Default exists, subject to applicable regulations, Tenant may construct, erect, maintain and use, at Tenant's sole cost and expense, non-exclusive exterior building standard sign containing Tenant's name and logo, upon the tenant directory in the main lobby of the Building, the entry of its Premises, on the building monument sign located outside the main entrance of the building, and on the exterior of the Building. Tenant may cause additional signage to be located on the entry road to the Building at Tenant's expense and subject to the terms of this Section. Landlord agrees that Tenant shall be entitled to a share of signage space and with signage at least as prominent in size, appearance, lighting and location as that of any other occupant of the Building and in order of precedence on

any list of Building tenants based on its pro rata share of the rentable square footage of the Building. The size, location, design, materials, appearance and all other matters relating to such signage shall be subject to applicable legal requirements and Landlord's prior approval, which shall not be unreasonably withheld provided that such signage is consistent with Class A building aesthetics. In connection therewith, Tenant shall, at its sole cost and expense, prepare all plans and specifications relating to such signage, obtain all permits and approvals from governmental authorities required in connection therewith, and bear all costs and expenses of constructing, maintaining, repairing, replacing and removing such signage and removing all such signage upon the expiration of the Term or termination of the Lease.

10.26 Café.

Landlord will use commercially reasonable efforts to cause to be open and operating promptly following the Commencement Date, and Tenant and its employees and guests will be entitled to the non-exclusive use of a grab and go cafe amenity in the Building ("Cafe"). The Café shall be operated at no additional cost to Tenant (excluding, however, the cost of individually purchased food and drink) except that any subsidy or other costs paid or incurred by Landlord to operate of the Café shall be included in Operating Expenses. Notwithstanding the foregoing, Landlord shall not be required to subsidize the Café if the Café operator desires to eliminate or reduce services due to a lack of usage by Building tenants. In the event that Landlord is unable to locate an operator that will operate the Cafeteria on terms, including, without limitation, economic terms reasonably acceptable to Landlord, Landlord shall have the right and option, in its reasonable business discretion, to take any steps necessary to reduce or eliminate such costs, including, without limitation, modification or reduction of the food service.

10.27 Outdoor Space.

Landlord will use commercially reasonable efforts to create a non-exclusive outdoor space with picnic tables or other seating for tenants of the Building in a location, fit and finish determined by Landlord.

(SIGNATURES APPEAR ON NEXT PAGE)

EXECUTED as a sealed instrument in two or more counterparts on the day and year first above written.

LANDLORD:

FARLEY WHITE CONCORD ROAD, LLC

Date: 9/3/2021

By: /s/John Power
John F. Power, Manager

TENANT:

T2 BIOSYSTEMS, INC.

Date: 9/3/2021

By: /s/ John Sperzel
Name: John Sperzel
Title: CEO, President & Chairman

F-1

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT		1. CONTRACT ID CODE	PAGE OF PAGES 1 4
2. AMENDMENT/MODIFICATION NO. P00004	3. EFFECTIVE DATE 09/30/2021	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)
6. ISSUED BY ASPR-BARDA 200 Independence Ave., S.W. Room 640-G Washington DC 20201	CODE ASPR-BARDA	7. ADMINISTERED BY (If other than Item 6) ASPR-BARDA US DEPT OF HEALTH & HUMAN SERVICES BIOMEDICAL ADVANCED RESEARCH & DEVELOPMENT AUT 200 INDEPENDENCE AVE, S.W. Washington DC 20201	CODE ASPR-BARDA
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) T2 BIOSYSTEMS, INC. 1512719 Attn: STEPHEN HAGAN T2 BIOSYSTEMS, INC. 101 HARTWE 101 HARTWELL AVE LEXINGTON MA 024213125		(x) 9A. AMENDMENT OF SOLICITATION NO.	9B. DATED (SEE ITEM 11)
CODE 1512719	FACILITY CODE	X 10A. MODIFICATION OF CONTRACT/ORDER NO. 75A50119C00053	10B. DATED (SEE ITEM 13) 09/30/2019
11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS			
<input type="checkbox"/> The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers <input type="checkbox"/> is extended <input type="checkbox"/> is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or electronic communication which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by letter or electronic communication, provided each letter or electronic communication makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.			
12. ACCOUNTING AND APPROPRIATION DATA (If required) 2010.00000000.00		Net Increase:	\$6,357,371.00
13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.			
CHECK ONE	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.		
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).		
X	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF FAR 52.243-2 Changes - Cost Reimbursement, Alt V (Apr 1984)		
	D. OTHER (Specify type of modification and authority)		
E. IMPORTANT: Contractor <input type="checkbox"/> is not <input checked="" type="checkbox"/> is required to sign this document and return <u>1</u> copies to the issuing office.			
14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible) Tax ID Number: 20-4827488 DUNS Number: 803126320 The purpose of this modification is to (1) exercise Option Two A (2A); and (2) revise the Statement of Work, Attachment #1 in Section J. As a result, Articles B.3 Option Periods and F.2. Deliverables; and Section C are hereby modified. Attachment #1 - Statement of Work, dated April 9, 2021 is hereby updated/replaced with the Statement of Work, dated September 30, 2021; and hereby made a part of the contract terms. The period of performance of Option 2A will be September 30, 2021 - March 31, 2022.			
CONTRACTOR'S STATEMENT OF RELEASE Continued ... Except as provided herein, all terms and conditions of the document referenced in Item 9 A or 10A, as heretofore changed, remains unchanged and in full force and effect.			
15A. NAME AND TITLE OF SIGNER (Type or print) Alec Barclay, Chief Operations Officer		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) ROSHAWN K. SIMPSON	
15B. CONTRACTOR/OFFEROR  (Signature of person authorized to sign)		15C. DATE SIGNED 09/30/2021	16B. UNITED STATES OF AMERICA Roshawn K. Simpson Simpson S (Signature of Contracting Officer) Date: 2021.10.01 11:38:45
Previous edition unusable		16C. DATE SIGNED Sept. 30, 2021	

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if disclosed.

CONTINUATION SHEET	REFERENCE NO. OF DOCUMENT BEING CONTINUED	PAGE OF PAGES
	75A50119C00053/P00004	2 4

NAME OF OFFEROR OR CONTRACTOR
T2 BIOSYSTEMS, INC. 1512719

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)
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In consideration of the modification(s) agreed to herein as complete and equitable adjustments of any sort are NOT due from Contractor's revision of Section J, Attachment #1Statement of Work, dated September 30, 2021. The Contractor hereby releases the Government from any and all liability under the contract for further equitable adjustments attributable to such facts or circumstances as a result of this action.

Appr. Yr.: 2010
 Period of Performance: 09/30/2021 to 03/31/2022

Change Item 3 to read as follows(amount shown is the obligated amount):

3	Option TWO A (2A) Period: UPDATED AS OF SEPT. 30, 2021	6,357,371.00
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Continue T2Biothreat verification testing and initiate validation testing. Produce a functioning Beta instrument. Complete initial optimization studies and demonstrate required sensitivity with a manual process.

Initiate T2Resistance Panel verification and clinical validation studies Obligated Amount: \$6,357,371.00

Add Item 9 as follows:

9	Option TWO B (2B) Period: UPDATED AS OF SEPT. 30, 2021	0.00
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Continue T2Biothreat verification testing and initiate validation testing. Produce a functioning Beta instrument. Complete initial optimization studies and demonstrate required sensitivity with a manual process.

Initiate T2Resistance Panel verification and clinical validation studies Amount: \$[****](Option Line Item)

The period of performance end date for [Option One] remains as October 16, 2021.

The period of performance end date for [Option Two A] will be March 31, 2022.

The overall contract period of performance end date remains as March 31, 2025[UNCHANGED]

The contract current value (BARDA only) is increased by \$6,357,371 from \$16,474,776.00. to \$22,832,147.00. [CHANGED]

The contract current obligated amount (BARDA) is increased by \$6,357,371 from \$16,474,776.00 to \$22,832,147.00. [CHANGED]

The overall contract value (BARDA) remains at \$68,952,025.00 [UNCHANGED]

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if disclosed.

Contract No: 75A50119C00053 Modification No: P0004	SPECIALPROVISIONS	Page 3 of 4
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SUPPLEMENTAL AGREEMENT

****RED BOLD** font denotes applicable changes

Beginning with the effective date of this modification, the Government and the Contractor mutually agree as follows:

Under **SECTION B – SUPPLIES OR SERVICES AND PRICES/COSTS, ARTICLE B.3 COST REIMBURSEMENT OPTIONS** [table] is hereby modified to reflect the following:

ARTICLE B.3 OPTION PERIODS

<u>CLIN</u>	<u>OPTION</u>	<u>Period of Performance</u>	<u>Supplies/Services</u>	<u>BARDA Estimated Not to Exceed</u>	<u>T2 Estimated Not to Exceed</u>	<u>Overall Total Estimated Not to Exceed</u>
0003	TWO A (2A)	09/30/21 – 03/31/22	Continue T2Biothreat verification testing and initiate validation testing. Produce a functioning Beta instrument. Complete initial optimization studies and demonstrate required sensitivity with a manual process. Initiate T2Resistance Panel verification and clinical validation studies	\$6,357,371,	\$4,766,107	\$11,123,478
0009	TWO B (2B)	04/01/2022-05/31/2022	Continue T2Biothreat verification and validation testing. Begin pre- migration of the panel onto the Beta T2Nxt instrument. Begin on instrument testing of T2AMR Panel components. Continue T2Resistance Panel verification and clinical validation studies	\$[****]	\$[****]	\$[****]

All other contract terms under Section B remains unchanged.

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if disclosed.

Contract No: 75A50119C00053 Modification No: P0004	SPECIALPROVISIONS	Page 4 of 4
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Under **SECTION C - DESCRIPTION/ SPECIFICATIONS/WORK STATEMENT**, Statement of Work is hereby modified to reflect Attachment # 1 dated **September 30, 2021** in Section J of this contract.

All other contract terms under Section C remains unchanged.

Under **SECTION F – DELIVERIES OR PERFORMANCE**, is hereby modified to reflect the following:

ARTICLE F. 2 DELIVERABLES

Successful performance of the final contract shall be deemed to occur upon completion of performance of the work set forth in the **Statement of Work dated September 30, 2021**, set forth in Section J - List of Attachments of this contract and upon delivery and acceptance, as required by the Statement of Work, by the COR, of each of the deliverables described in Section C, Section F, and Section J.

All other contract terms under Section F remains unchanged.

Under **SECTION J LIST OF ATTACHMENTS** is hereby modified to reflect the following:

1. STATEMENT OF WORK

Statement of Work, dated **September 30, 2021, 28 pages**

All other contract terms under Section J remains unchanged.

CONTRACTOR'S STATEMENT OF RELEASE

In consideration of the modification(s) agreed to herein as complete and equitable adjustments of any sort are NOT due from Contractor's revision of Section J, **Attachment 1 – Statement of Work, dated September 30, 2021**. The Contractor hereby releases the Government from any and all liability under the contract for further equitable adjustments attributable to such facts or circumstances as a result of this action.

All other contract terms remain unchanged.

END OF MODIFICATION P00004

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if disclosed.

ATTACHMENT 1

**Biomedical Advanced Research and Development Authority (BARDA) Broad Agency Announcement (BAA)
(Solicitation #BAA-18-100-SOL-00003)**

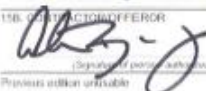
Advanced Research and Development of Chemical, Biological, Radiological, and Nuclear Medical Countermeasures
**RAPID, HIGH-THROUGHPUT, MULTIPLEXED DETECTION OF BIOTHREAT SPECIES ID AND
RESISTANCE GENES USING T2MR**

**Topic Area of Interest No. [7.2.4 & 7.3.3] Statement of Work DATED September 30, 2021 (Diagnostics/Devices Product
Development)**

STATEMENT OF WORK

[****]

[****] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if disclosed.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT		1. CONTRACT ID CODE	PAGE OF PAGES 1 2	
2. AMENDMENT/MODIFICATION NO. P00005	3. EFFECTIVE DATE See Block 16C	4. REQUISITION/PURCHASE REG. NO.	5. PROJECT NO. (if applicable)	
6. ISSUED BY ASPR-BARDA 200 Independence Ave., S.W. Room 640-G Washington DC 20201	CODE ASPR-BARDA	7. ADMINISTERED BY (if other than Item 6) ASPR-BARDA US DEPT OF HEALTH & HUMAN SERVICES BIOMEDICAL ADVANCED RESEARCH & DEVELOPMENT AUT 200 INDEPENDENCE AVE., S.W. Washington DC 20201	CODE ASPR-BARDA	
8. NAME AND ADDRESS OF CONTRACTOR (No. street county State and ZIP Code) T2 BIOSYSTEMS, INC. 1512719 Attn: STEPHEN HAGAN T2 BIOSYSTEMS, INC. 101 HARTWE 101 HARTWELL AVE LEXINGTON MA 024213125		9A. AMENDMENT OF SOLICITATION NO. <input checked="" type="checkbox"/> 9B. DATED (SEE ITEM 11) <input checked="" type="checkbox"/> 9C. MODIFICATION OF CONTRACT ORDER NO. 75A50119C00053 9D. DATED (SEE ITEM 13) 09/30/2019		
CODE 1512719	FACILITY CODE	11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS		
<p>The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers <input type="checkbox"/> is extended <input type="checkbox"/> is not extended.</p> <p>Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or electronic communication which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by letter or electronic communication, provided each letter or electronic communication makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.</p>				
12. ACCOUNTING AND APPROPRIATION DATA (if required) See Schedule				
13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACT ORDERS. IT MODIFIES THE CONTRACT ORDER NO. AS DESCRIBED IN ITEM 14.				
CHECK ONE				
A. THIS CHANGE ORDER IS ISSUED PURSUANT TO (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 13A.				
B. THE ABOVE NUMBERED CONTRACT ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).				
<input checked="" type="checkbox"/> C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF FAR Part 43.103(a) - Bilateral Modifications				
D. OTHER (Specify type of modification and authority)				
E. IMPORTANT: Contractor <input type="checkbox"/> is not <input checked="" type="checkbox"/> is required to sign this document and return _____ 1 _____ copies to the issuing office.				
14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF action headings, including solicitation/contract subject matter where feasible) Tax ID Number: 20-4827488 DUNS Number: 803126320 A. The purpose of this no cost modification is to incorporate by Executive Order 14042 - FAR Deviation Clause 52.223-99, Ensuring Adequate COVID Safety Protocols for Federal Contractors into Section I of the contract. 1. The following is hereby incorporated by full text, at no additional cost to the Government, into Section I: 52.223-99 Ensuring Adequate COVID-19 Safety Protocols for Federal Contractors. ENSURING ADEQUATE COVID-19 SAFETY PROTOCOLS FOR FEDERAL CONTRACTORS (OCT 2021) (DEVIATION) Continued ... Except as provided herein, all terms and conditions of the document referenced in Item 9 A or 10A, as heretofore changed, remain unchanged and in full force and effect.				
15A. NAME AND TITLE OF SIGNER (Type or print) Alec Barclay Chief Operations Officer		15B. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) ROSHAWN K. SIMPSON		
15B. CONTRACTING OFFICER  (Signature of person authorized to sign)		15C. DATE SIGNED 10/25/2021		15D. UNITED STATES OF AMERICA Roshawn K. Simpson - S Simpson - S Date: 2021.10.25 17:34:49 -0400 (Signature or Certificate ID)
15E. DATE SIGNED		15F. DATE SIGNED Oct 25, 2021		
STANDARD FORM 30 (REV. 11/2018) Prescribed by GSA FAR (48 CFR) 53.243				

NAME OF OFFEROR OR CONTRACTOR
TEBDCSYSTEMS, INC. 1512719

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)
	<p>(a) Definition. As used in this clause - United States or its outlying areas means:</p> <p>(1) The fifty States;</p> <p>(2) The District of Columbia;</p> <p>(3) The commonwealths of Puerto Rico and the Northern Mariana Islands;</p> <p>(4) The territories of American Samoa, Guam, and the United States Virgin Islands; and</p> <p>(5) The minor outlying islands of Baker Island, Howland Island, Jarvis Island, Johnston Atoll, Kingman Reef, Midway Islands, Navassa Island, Palmyra Atoll, and Wake Atoll.</p> <p>(b) Authority. This clause implements Executive Order 14042, Ensuring Adequate COVID Safety Protocols for Federal Contractors, dated September 9, 2021 (published in the Federal Register on September 14, 2021, 86 FR 50985).</p> <p>(c) Compliance. The Contractor shall comply with all guidance, including guidance conveyed through Frequently Asked Questions, as amended during the performance of this contract, for contractor or subcontractor workplace locations published by the Safer Federal Workforce Task Force (Task Force Guidance) at https://www.saferfederalworkforce.gov/contractors/.</p> <p>(d) Subcontracts. The Contractor shall include the substance of this clause, including this paragraph (d), in subcontracts at any tier that exceed the simplified acquisition threshold, as defined in Federal Acquisition Regulation 2.101 on the date of subcontract award, and are for services, including construction, performed in whole or in part within the United States or its outlying areas.</p> <p>(End of clause)</p> <p>2. The total amount, scope, period of performance and all other terms and conditions of the contract remain unchanged.</p> <p>3. By signing this modification, the vendor, hereby releases the Government from any and all liability under this contract for further equitable adjustments attributable to such fact or circumstance giving rise to this modification.</p> <p>Period of Performance: 09/30/2021 to 03/31/2022</p>				

**CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Sperzel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of T2 Biosystems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John Sperzel

John Sperzel

President, Chief Executive Officer and Director
(principal executive officer)

Date: November 4, 2021

**CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John M. Sprague, certify that:

1. I have reviewed this quarterly report on Form 10-Q of T2 Biosystems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John M. Sprague

John M. Sprague
Chief Financial Officer
(principal accounting and financial officer)

Date: November 4, 2021

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of T2 Biosystems, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Sperzel, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John Sperzel

John Sperzel
President and Chief Executive Officer
(principal executive officer)

Date: November 4, 2021

This certification accompanies each Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by §906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of T2 Biosystems, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Sprague, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John M. Sprague

John M. Sprague

Chief Financial Officer

(principal accounting officer and financial officer)

Date: November 4, 2021

This certification accompanies each Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by §906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.