

**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, 2017

OR

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

For the transition period from _____ to _____

Commission file number: 001-36571

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" 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 30, 2017, the registrant had 35,824,960 shares of common stock outstanding.

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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, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,897	\$ 73,488
Accounts receivable	442	327
Prepaid expenses and other current assets	754	820
Inventories, net	1,254	803
Total current assets	55,347	75,438
Property and equipment, net	13,854	13,589
Restricted cash	260	260
Other assets	218	281
Total assets	<u>\$ 69,679</u>	<u>\$ 89,568</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 993	\$ 962
Accrued expenses and other current liabilities	5,513	4,908
Current portion of notes payable	1,416	1,269
Deferred revenue	2,076	2,445
Current portion of lease incentives	247	301
Total current liabilities	10,245	9,885
Notes payable, net of current portion	40,089	39,504
Lease incentives, net of current portion	751	792
Other liabilities	467	49
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding at September 30, 2016 and December 31, 2016	—	—
Common stock, \$0.001 par value; 200,000,000 shares authorized; 35,796,722 and 30,482,712 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	36	30
Additional paid-in capital	266,014	242,997
Accumulated deficit	(247,923)	(203,689)
Total stockholders' equity	18,127	39,338
Total liabilities and stockholders' equity	<u>\$ 69,679</u>	<u>\$ 89,568</u>

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,	
	2017	2016	2017	2016
Revenue:				
Product revenue	\$ 739	\$ 580	\$ 2,105	\$ 1,168
Research revenue	369	504	900	2,003
Total revenue	1,108	1,084	3,005	3,171
Costs and expenses:				
Cost of product revenue	2,106	1,894	5,722	4,701
Research and development	5,880	5,200	19,577	18,160
Selling, general and administrative	5,559	5,935	17,192	18,282
Total costs and expenses	13,545	13,029	42,491	41,143
Loss from operations	(12,437)	(11,945)	(39,486)	(37,972)
Interest expense, net	(1,718)	(876)	(5,008)	(2,416)
Other income, net	79	38	260	133
Net loss and comprehensive loss	<u>\$ (14,076)</u>	<u>\$ (12,783)</u>	<u>\$ (44,234)</u>	<u>\$ (40,255)</u>
Net loss per share — basic and diluted	<u>\$ (0.45)</u>	<u>\$ (0.51)</u>	<u>\$ (1.43)</u>	<u>\$ (1.64)</u>
Weighted-average number of common shares used in computing net loss per share — basic and diluted	31,420,726	25,027,751	30,873,930	24,524,508

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities		
Net loss	\$ (44,234)	\$ (40,255)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,194	1,626
Stock-based compensation expense	3,806	3,659
Loss on sale of T2 owned equipment	134	—
Non-cash interest expense	1,968	459
Deferred rent	(95)	(187)
Changes in operating assets and liabilities:		
Accounts receivable	(115)	(10)
Prepaid expenses and other assets	129	(118)
Inventories, net	(451)	(654)
Accounts payable	31	(132)
Accrued expenses and other liabilities	361	797
Deferred revenue	(369)	(1,328)
Net cash used in operating activities	(36,641)	(36,143)
Cash flows from investing activities		
Purchases of property and equipment	(843)	—
Purchases of T2-owned equipment	(1,758)	(4,594)
Net cash used in investing activities	(2,601)	(4,594)
Cash flows from financing activities		
Payment of offering costs for issuance of common stock in public offering	(37)	(385)
Proceeds from issuance of common stock and stock options exercises, net	717	736
Proceeds from issuance of common stock in connection with private offering, net of offering costs	37	—
Proceeds from private investment in public entity	—	39,723
Proceeds from confidentially marketed public offering	18,832	—
Proceeds from notes payable, net of issuance costs	—	4,593
Repayments of note payable	(898)	(2,481)
Net cash provided by financing activities	18,651	42,186
Net decrease in cash and cash equivalents	(20,591)	1,449
Cash and cash equivalents at beginning of period	73,488	73,662
Cash and cash equivalents at end of period	\$ 52,897	\$ 75,111
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 2,967	\$ 1,881
Supplemental disclosures of noncash investing and financing activities		
Accrued property and equipment	\$ 90	\$ 133

See accompanying notes to condensed consolidated financial statements.

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

T2 Biosystems, Inc. (the “Company”) was incorporated on April 27, 2006 as a Delaware corporation with operations based in Lexington, Massachusetts. 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 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 sepsis and Lyme disease, which are areas 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 June 30, 2017 the Company received a CE Mark for its T2Bacteria Panel (“T2Bacteria”). On September 8, 2017 the Company filed a 510(k) premarket submission for the T2Bacteria Panel with the U.S. Food and Drug Administration (FDA).

Liquidity

At September 30, 2017, the Company had cash and cash equivalents of \$52.9 million and an accumulated deficit of \$247.9 million. The future success of the Company is dependent on its ability to successfully commercialize its FDA approved products, obtain regulatory clearance for and successfully launch its future product candidates, including T2Bacteria, 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 confidentially marketed public offering (“CMPO”), its September 2016 private investment in public equity (“PIPE”) financing, its September 2017 CMPO, private placements of redeemable convertible preferred stock and through debt financing arrangements.

The Company is subject to a number of risks similar to other newly commercial 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.

Having obtained authorization from the FDA to market T2Dx and T2Candida, the Company has incurred significant commercialization expenses related to product sales, marketing, manufacturing and distribution. The Company will continue the research and development of other product candidates and maintain, expand and protect its intellectual property portfolio. The Company may seek to fund its operations through public equity or 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 and financial condition and the Company’s ability to develop and commercialize T2Dx, T2Candida, T2Bacteria and other product candidates.

Management believes that its existing cash and cash equivalents at September 30, 2017, together with the additional remaining liquidity on the Company’s Term Loan Agreement of up to an additional \$10.0 million, will be sufficient to allow the Company to fund its current operating plan through early 2019. The borrowing on the Term Loan Agreement is available at any time through July 27, 2018, and is subject to certain conditions including that the Company receive 510(k) clearance for the marketing of T2Bacteria by the FDA by April 30, 2018 (see Note 5). Should the Company’s current operating plan not materialize as expected, including the Company’s ability to draw additional borrowings on the Term Loan Agreement on a timely basis, the Company would delay certain research projects and capital expenditures and reduce or eliminate 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.

For more information, refer to the section titled “Liquidity and Capital Resources” in Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations and the section entitled “Risk Factors” in the Annual Report on Form 10-K for the year ended December 31, 2016, for additional risks associated with our capital needs.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's financial statements have been prepared in conformity with generally accepted accounting principles 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.

We have evaluated subsequent events from September 30, 2017 through the date of the issuance of these condensed consolidated financial statements and have determined that no material subsequent events have occurred that would have a material effect on the information presented in these consolidated financial statements.

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, 2016.

The accompanying interim condensed consolidated balance sheet as of September 30, 2017, the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2017 and 2016, the condensed consolidated statements of cash flows for the nine months ended September 30, 2017 and 2016 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, 2017, and the results of its operations and its cash flows for the three and nine months ended September 30, 2017 and 2016. The results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results to be expected for the year ending December 31, 2017, 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, launching commercially 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.

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 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.

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, 2017 and December 31, 2016, 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.

Revenue Recognition

The Company generates revenue from product sales, which includes the sale of instruments, consumable diagnostic tests and related services, and research and development agreements with third parties. The Company recognizes revenue in accordance with FASB ASC Topic 605, Revenue Recognition ("ASC 605"). Accordingly, the Company recognizes revenue when all of the following criteria have been met:

- i. Persuasive evidence of an arrangement exists
- ii. Delivery has occurred or services have been rendered
- iii. The seller's price to the buyer is fixed or determinable
- iv. Collectability is reasonably assured

If any of the above criteria have not been met, the Company defers revenue until such time each of the criteria have been satisfied.

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 the instrument is directly purchased by a customer, the Company recognizes revenue when all applicable revenue recognition criteria are met. When the instrument is placed under a reagent rental agreement, the Company's customers generally agree to fixed term agreements, which can be extended, certain of which may include minimum purchase commitments and/or incremental charges on each consumable diagnostic test purchased, which varies based on the volume of test cartridges purchased. Revenue from the sale of consumable diagnostic tests, which includes the incremental charge, is recognized upon delivery or shipment as a component of product revenue in the Company's consolidated statements of operations and comprehensive loss.

Direct sales of instruments include warranty, maintenance and technical support services typically for one year following the installation of the purchased instrument ("Maintenance Services"). After the completion of the initial Maintenance Services period, customers have the option to renew the Maintenance Services typically for additional one year periods in exchange for additional consideration. In addition, the Company may provide training to customers. The Company defers revenue from the initial sale of the instrument equal to the relative fair value of the one year of Maintenance Services and training and recognizes the amounts ratably over the service delivery period.

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 either provides a credit to its customers on future orders or provides a replacement product. Accordingly, the Company defers revenue associated with the estimated defect rates of the consumable diagnostic tests.

The Company does not offer rights of return for instruments or consumable diagnostic tests.

Shipping and handling costs incurred associated with products sold to customers are recorded as a cost of product revenue in the consolidated statement of operations and comprehensive loss. Shipping and handling costs billed to customers in connection with a product sale are recorded as a component of product revenue in the consolidated statements of operations and comprehensive loss.

For multiple-element arrangements, the Company identifies the deliverables included within each agreement and evaluates which deliverables represent separate units of accounting. The determination that multiple elements in an arrangement meet the criteria for separate units of accounting requires the Company's management to exercise judgment. The Company accounts for those components as separate elements when the following criteria are met: (1) the delivered items have value to the customer on a stand-alone basis; and, (2) if there is a general right of return relative to the delivered items, delivery or performance of the undelivered items is considered probable and within its control.

The consideration received is allocated among the separate units of accounting based on a selling price hierarchy. The selling price hierarchy is based on: (1) vendor specific objective evidence ("VSOE"), if available; (2) third party evidence of selling price if VSOE is not available; or (3) best estimated selling price ("BESP") if neither VSOE nor third party evidence is available. The Company generally expects that it will not be able to establish selling price using third-party evidence due to the nature of our products and the markets in which the Company competes, and, as such, the Company typically will determine selling price using VSOE or BESP.

When the Company establishes selling price using BESP, consideration is given to both market and Company-specific factors, including the cost to produce the deliverable and the anticipated margin on that deliverable, as well as the characteristics of markets in which the deliverable is sold.

Revenue earned from activities performed pursuant to research and development agreements is reported as research revenue in the consolidated statements of operations and comprehensive loss, using the proportional performance method as the work is completed, limited to payments earned, and the related costs are expensed as incurred as research and development expense. The timing of receipt of cash from the Company's research and development agreements generally differs from when revenue is recognized.

Product Recall

In July 2016, the Company initiated a voluntary recall and replacement of its T2Candida cartridges at certain customer sites because T2Candida was experiencing higher than normal invalid test rates as the T2Candida cartridges aged. As of September 30, 2016, as a result of this voluntary recall, the Company deferred revenue totaling \$149,000 and recorded additional costs of product revenue of \$41,000 related to returned products, which are no longer usable. As of September 30, 2017, the Company had \$20,000 of deferred revenue and \$2,000 of warranty reserve remaining, both related to this voluntary recall. The impact of the voluntary recall on T2Candida cartridges in inventory was not material to the condensed consolidated financial statements.

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 and related license and royalty fees. Cost of product revenue also includes depreciation on 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, 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 August 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” which is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. Substantial doubt about an entity’s ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its financial obligations as they become due within one year after the date that the financial statements are issued (or are available to be issued). ASU No. 2014-15 provides guidance to an organization’s management, with principles and definitions intended to reduce diversity in the timing and content of disclosures commonly provided by organizations in the footnotes of their financial statements. ASU No. 2014-15 was effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. This standard has been adopted and reflected in the Company’s disclosures regarding liquidity.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* (“ASU 2015-11”). The standard simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value for entities using the first-in-first out method of valuing inventory. ASU 2015-11 eliminates other measures required by current guidance to determine net realizable value. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years and early adoption is permitted. The Company’s adoption of this standard did not have a material effect on its condensed consolidated financial statements.

In March 2016, the FASB released ASU No. 2016-09 *Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”) which is intended to simplify income tax accounting for excess tax benefits, accounting for forfeitures, and employer statutory withholding. Under the current guidance, excess tax benefits that result from an award vesting or settling are recognized in additional paid-in capital in the period that they reduce cash taxes payable. This requires the provision to be computed on a with and without option basis and may result in net operating loss and credit carryforwards on the balance sheet being less than what is available on the tax return. Under the new guidance, the income tax effects of awards will be recognized as a component of income tax expense when the awards vest or are settled (regardless if cash taxes are reduced). For interim reporting purposes, companies will account for excess tax benefits and tax deficiencies as discrete items in the period during which they occurred. The guidance is effective for public entities for fiscal years beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted, however all of the guidance included in the update must be applied when adopted. The Company must use a modified retrospective transition method for adopting and record the cumulative effect of all unrecognized benefits and any change in valuation allowances at the end of the prior tax period as an adjustment to retained earnings. The Company’s adoption of this standard did not have a material effect on its condensed consolidated financial statements and prior periods have not been adjusted. As a result, the Company established a net operating loss deferred tax asset of \$1.2 million to account for prior period excess tax benefits through retained earnings, however an offsetting valuation allowance of \$1.2 million will also be established through retained earnings because it is not more likely than not that the deferred tax asset will be realized due to historical and expected future losses, such that there is no impact on the Company’s condensed consolidated financial statements. The Company also elected to maintain the use of estimated forfeitures in the calculation of stock based compensation.

In March 2016, the FASB issued ASU No. 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments* (“ASU 2016-06”), which applies to all issuers of or investors in debt instruments with embedded call or put options. ASU 2016-06 clarifies the requirements for assessing whether contingent call or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. Entities performing the assessment under the guidance of ASU 2016-06 are required to assess the embedded call or put options solely in accordance with the four-step decision process. In addition, ASU 2016-06 clarifies what steps are required when assessing whether the economic characteristics and risks of call or put options are clearly and closely related to the economic characteristics and risks of their debt hosts. ASU 2016-06 is effective for financial statements issued for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years using the modified retrospective method for existing debt instruments. The Company’s adoption of this standard did not have a material effect on its condensed consolidated financial statements.

Accounting Standards Issued, Not Adopted

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASC 2016-15”), which provides guidance on the classification of certain specific cash flow issues including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims and distributions received from equity method investees. The standard requires the use of a retrospective approach to all periods presented, but may be applied prospectively if retrospective application would be impracticable. The guidance is effective for public entities for fiscal years beginning after

December 15, 2017, and interim periods within those years, and early application is permitted. The Company is currently evaluating the impact of its pending adoption of ASU 2016-15 on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"), which applies to all leases. Under ASU 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing leases, while the statement of operations will reflect lease expense for operating leases and amortization and interest expense for financing leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods within those years, which is the year ended December 31, 2019 for the Company. Entities are required to use a modified retrospective approach of adoption for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Full retrospective application is prohibited. The Company is evaluating the new guidance and the expected effect on the Company's consolidated financial statements.

In June 2014, the FASB issued amended guidance, ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which is applicable to revenue recognition that will now be effective for the Company for the year ending December 31, 2018, as a result of the deferral of the effective date adopted by the FASB in July 2015. The new guidance must be adopted using either a full retrospective approach for all periods presented or a modified retrospective approach. Early adoption prior to the original adoption date of ASU 2014-09 is not permitted. The new guidance applies a more principles-based approach to revenue recognition. The Company currently anticipates adoption of the new standard effective January 1, 2018 under the modified retrospective method. The Company is analyzing the potential impact that ASU 2014-09 may have on its financial position and results of operations; however, the Company anticipates significant changes to its financial statement disclosures. As of September 30, 2017, the Company has completed its revenue stream analysis and advanced its assessment of the impact of ASU 2014-09 on its revenue-generating arrangements, including its product sales made as direct sales, sales to distributors, reagent rental agreements and its research arrangements. The Company is in the process of finalizing the quantitative impact the ASUs will have on the financial statements, as well as its plan for implementation. In addition, the Company continues to monitor additional changes, modifications, clarifications or interpretations undertaken by the FASB, which may impact its conclusions.

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 carried at fair value categorized using the lowest level of input applicable to each financial instrument as of September 30, 2017 and December 31, 2016 (in thousands):

	Balance at September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	\$ 19,644	\$ 19,644	\$ —	\$ —
Money market funds	33,253	33,253	—	—
Restricted cash	260	260	—	—
Total	\$ 53,157	\$ 53,157	\$ —	\$ —
	Balance at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	\$ 16,887	\$ 16,887	\$ —	\$ —
Money market funds	56,601	56,601	—	—
Restricted cash	260	260	—	—
Total	\$ 73,748	\$ 73,748	\$ —	\$ —

For certain financial instruments, including accounts payable and accrued expenses, the carrying amounts approximate their fair values as of September 30, 2017 and December 31, 2016 because of their short-term nature. At September 30, 2017 and December 31, 2016, the carrying value of the Company's debt approximated fair value, which was determined using Level 3 inputs, using market quotes from brokers and is based on current rates offered for similar debt (Note 5).

4. 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, 2017	December 31, 2016
Raw materials	\$ 500	\$ 389
Work-in-process	476	351
Finished goods	278	63
Total inventories, net	<u>\$ 1,254</u>	<u>\$ 803</u>

Property and Equipment

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

	September 30, 2017	December 31, 2016
Office and computer equipment	\$ 409	\$ 409
Software	743	708
Laboratory equipment	4,094	4,516
Furniture	200	200
Manufacturing equipment	910	897
Manufacturing tooling and molds	160	154
T2-owned instruments and components	10,878	9,119
Leasehold improvements	3,378	3,353
Construction in progress	1,557	1,299
	<u>22,329</u>	<u>20,655</u>
Less accumulated depreciation and amortization	(8,475)	(7,066)
Property and equipment, net	<u>\$ 13,854</u>	<u>\$ 13,589</u>

Construction in progress is primarily comprised of equipment and leasehold improvement projects that have 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 our business model and forecast, and completed instruments that will be used for internal research and development, clinical studies or reagent rental agreements with customers. Completed T2-owned instruments are placed in service once installation procedures are completed and are depreciated over five years. The Company has approximately \$7.9 million and \$5.7 million of T2-owned instruments installed and depreciating as of September 30, 2017 and December 31, 2016, respectively. 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 \$0.2 million and \$0.2 million for the three months ended September 30, 2017 and 2016, respectively, and \$0.7 million and \$0.4 million for the nine months ended September 30, 2017 and 2016, 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.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2017	December 31, 2016
Accrued payroll and compensation	\$ 2,875	\$ 2,479
Accrued research and development expenses	1,038	846
Accrued professional services	987	884
Other accrued expenses	613	699
Total accrued expenses	<u>\$ 5,513</u>	<u>\$ 4,908</u>

5. Notes Payable

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

	September 30, 2017	December 31, 2016
Term loan agreement, net of deferred issuance costs of \$2.5 million and \$3.0 million, respectively	\$ 38,695	\$ 37,031
Equipment lease credit facility, net of deferred issuance cost of \$29 thousand and \$45 thousand, respectively	2,810	3,742
Total notes payable	41,505	40,773
Less: current portion of notes payable	(1,416)	(1,269)
Notes payable, net of current portion	<u>\$ 40,089</u>	<u>\$ 39,504</u>

Term Loan Agreement

In December 2016, the Company entered into a Term Loan Agreement (the "Term Loan Agreement") with CRG Servicing LLC ("CRG"). The Company initially borrowed \$40.0 million pursuant to the Term Loan Agreement and may borrow up to an additional \$10.0 million at any time through and including July 27, 2018, provided that, among other conditions, the Company receives 510(k) clearance for the marketing of T2Bacteria by the FDA on or before April 30, 2018 (the "Approval Milestone"). The Term Loan Agreement has a six-year term with three years (through December 30, 2019) of interest-only payments, which period shall be extended to four years (through December 30, 2020) if the Company achieves the Approval Milestone, 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 (a) prior to the Approval Milestone, 12.5%, 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, 11.5%, 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% of the principal outstanding upon repayment, which is being accreted over the term of the debt as additional interest expenses.

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 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. The Term Loan Agreement also requires 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. The revenue target for fiscal 2017 is \$5.0 million on this provision. 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, as there have been no such events. The Company believes the likelihood of CRG exercising this right is remote.

The Company assessed the terms and features of the Term Loan Agreement in order to identify any potential embedded features that would require bifurcation or any beneficial conversion features. As part of this analysis, the Company assessed the economic characteristics and risks of the Term Loan Agreement, including put and call features. The Company determined that the features of the Term Loan Agreement are either clearly and closely associated with a debt host and do not require bifurcation as a derivative liability, or the fair value of the feature is immaterial. Included in these features are principal payment acceleration clauses triggered by a developmental milestone. Should the Company's assessment of this milestone change, there could be a non-cash charge in operations. The Company will continue to reassess the features to determine if they require separate accounting on a quarterly basis.

In December 2016, pursuant to the Term Loan Agreement, the Company made an initial draw of \$39.2 million, net of financing fees. The Company used approximately \$28.0 million of the initial proceeds to repay approximately \$27.5 million of outstanding debt pursuant to the Loan and Security Agreement and to repay approximately \$0.5 million of outstanding debt pursuant to the Promissory Note. Upon the repayment of all amounts owed by the Company under these agreements, all commitments were terminated and all security interests granted by the Company were released.

In connection with the Term Loan Agreement entered into in December 2016, the Company issued to CRG four separate 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 \$8.06 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. The warrants are classified within shareholders' equity, and the proceeds were allocated between the debt and warrants based on their relative fair value. The fair value of the warrants was determined by the Black Scholes Merton option pricing model. The fair value of the warrants at issuance on December 30, 2016 was \$1.8 million.

Equipment Lease Credit Facility

In October 2015, the Company signed a \$10.0 million Credit Facility with Essex Capital Corporation (the "Lessor") to fund capital equipment needs. As one of the conditions of the Term Loan Agreement, the Credit Facility is capped at a maximum of \$5.0 million. Under the Credit Facility, Essex will fund capital equipment purchases presented by the Company. The Company will repay the amounts borrowed in 36 equal monthly installments from the date of the amount funded. At the end of the 36 month lease term, the Company has the option to (a) repurchase the leased equipment at the lesser of fair market value or 10% of the original equipment value, (b) extend the applicable lease for a specified period of time, which will not be less than one year, or (c) return the leased equipment to the Lessor.

In April 2016 and June 2016, the Company completed the first two draws under the Credit Facility, of \$2.1 million and \$2.5 million, respectively. The Company will make monthly payments of \$67,000 under the first draw and \$79,000 under the second draw. The borrowings under the Credit Facility are treated as capital leases. The amortization of the assets conveyed under the Credit Facility is included as a component of depreciation expense.

6. Stockholders' Equity

Private Investment in Public Equity Financing

On September 21, 2016, Canon U.S.A., Inc. ("Canon") became a related party when the Company sold 6,055,341 shares of its common stock (the "Canon Shares") to Canon at \$6.56 per share, the closing price on this date, for an aggregate cash purchase price of \$39.7 million. As of September 21, 2016, the Canon Shares represented 19.9% of the outstanding shares of common stock of the Company. In connection with the sale of the Canon Shares, the Company agreed to grant Canon certain board designation rights, including the right to initially appoint a Class I director to the Company's board of directors. On March 20, 2017, the Company filed with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-3 for purposes of registering the resale of the Canon Shares with the SEC.

On September 15, 2017, the company sold 5,031,250 shares of its common stock in a CMPO at \$4.00 per share, for an aggregate gross cash purchase price of \$20.1 million, or proceeds of \$18.8 million after underwriters discount and expenses.

7. Stock-Based Compensation

Stock Incentive Plans

2006 Stock Incentive Plan

The Company's 2006 Employee, Director and Consultant 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 vest 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 only 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, lapsed 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, 2024, 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. As of September 30, 2017 there were 979,124 shares available for future grant under the 2014 Plan.

Stock Options

During the nine months ended September 30, 2017 and 2016, the Company granted stock options with an aggregate fair value of \$2.5 million and \$6.6 million, respectively, which are being amortized into compensation expense over the vesting period of the stock options as the services are being provided.

The following is a summary of stock option activity under the Plans (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, 2016	4,042,627	\$ 8.20	7.05	\$ 4,091
Granted	807,450	5.18	6.00	
Exercised	(194,783)	2.34		502
Forfeited	(554,867)	9.17		
Cancelled	(267,127)	12.56		
Outstanding at September 30, 2017	3,833,300	7.42	6.67	1,040
Exercisable at September 30, 2017	2,440,070	7.24	5.57	976
Vested or expected to vest at September 30, 2017	3,600,971	7.35	5.77	1,024

Included in the stock options outstanding as of December 31, 2016 are 166,066 options to purchase common stock granted to certain executive officers of the Company that vest upon the achievement of certain performance conditions, which include the attainment of specified operating result and regulatory targets, by December 31, 2017, of which 20,000 options to purchase common stock upon the achievement of certain performance conditions were forfeited during the year ended December 31, 2016. There are 146,066 performance based stock options outstanding at September 30, 2017 and December 31, 2016. The Company will continually evaluate the probability of achievement of each performance condition and will commence recognition of stock-based compensation expense on these awards in the period the achievement of each performance condition is deemed probable, including a catch-up adjustment from the grant date.

The weighted-average grant date fair values of stock options granted in the nine month periods ended September 30, 2017 and 2016 were \$3.04 per share and \$4.76 per share, respectively, and were calculated using the following estimated assumptions:

	Nine Months Ended September 30,	
	2017	2016
Weighted-average risk-free interest rate	1.98%	1.42%
Expected dividend yield	—%	—%
Expected volatility	63%	61%
Expected terms	6.0 years	6.0 years

The total fair values of stock options that vested during the nine months ended September 30, 2017 and 2016 were \$3.5 million and \$3.7 million, respectively.

As of September 30, 2017, there was \$5.2 million of total unrecognized compensation cost related to unvested stock options granted under the Stock Incentive Plans, including the unrecognized compensation expense of stock options with performance conditions deemed probable of vesting. 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 2.24 years as of September 30, 2017.

Restricted Stock Units

During the nine months ended September 30, 2017, the Company awarded shares of restricted stock units to certain employees and directors at no cost to them, which cannot be sold, assigned, transferred or pledged during the restriction period. The restricted stock and restricted stock units vest through the passage of time, assuming continued employment. Restricted stock units are not included in issued and outstanding common stock until the shares are vested and released. The fair value of the award at the time of the grant is expensed on a straight line basis. The granted restricted stock units had an aggregate fair value of \$2.9 million, 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 restricted stock unit activity under the 2014 Plan (in thousands, except share and per share amounts):

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2016	272,195	5.83
Granted	552,925	5.17
Vested	—	—
Forfeited	(74,800)	5.87
Canceled	—	—
Nonvested at September 30, 2017	<u>750,320</u>	5.34

There was no vesting of restricted stock units during the nine months ended September 30, 2017. As of September 30, 2017, there was \$2.6 million of total unrecognized compensation cost related to unvested restricted stock units granted under the Stock Incentive Plans. Total unrecognized compensation cost will be adjusted for future forfeitures. The Company expects to recognize that cost over a remaining weighted-average period of 1.7 years as of September 30, 2017.

Stock-Based Compensation Expense

The following table summarizes the stock-based compensation expense resulting from awards granted under stock incentive plans, including 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,	
	2017	2016	2017	2016
Cost of product revenue	\$ 18	\$ 27	\$ 87	\$ 86
Research and development	340	292	1,047	902
Selling, general and administrative	862	779	2,555	2,572
Total stock-based compensation expense	<u>\$ 1,220</u>	<u>\$ 1,098</u>	<u>\$ 3,689</u>	<u>\$ 3,560</u>

For the three months ended September 30, 2017 and 2016, \$33,000 and \$32,000 of stock-based compensation expenses were capitalized as part of inventory or T2Dx instruments and components, respectively. For the nine months ended September 30, 2017 and 2016, \$117,000 and \$99,000 of stock-based compensation expenses were capitalized as part of inventory or T2Dx instruments and components, respectively.

8. Warrants

In connection with the Term Loan Agreement entered into in December 2016, the Company issued to CRG four separate 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 \$8.06 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. The warrants are classified within shareholders' equity, and the proceeds were allocated between the debt and warrants based on their relative fair value. The fair value of the warrants was determined by the Black-Scholes-Merton option pricing model. The fair value of the warrants at issuance on December 30, 2016 was \$1.8 million.

9. 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 Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Options to purchase common shares	3,833,300	4,263,094	3,833,300	4,263,094
Restricted stock units	750,320	—	750,320	—
Warrants to purchase common stock	528,958	—	528,958	—
Total	<u>5,112,578</u>	<u>4,263,094</u>	<u>5,112,578</u>	<u>4,263,094</u>

10. Co-Development Agreements

Canon US Life Sciences

On September 21, 2016, Canon became a related party when the Company sold the Canon Shares for an aggregate cash purchase price of \$39.7 million, which represented 19.9% of the outstanding shares of common stock of the Company. On February 3, 2015, the Company entered into a Co-Development Partnership Agreement (the “Co-Development Agreement”) with Canon U.S. Life Sciences, Inc. (“Canon US Life Sciences”) to develop a diagnostic test panel to rapidly detect Lyme disease. Under the terms of the Co-Development Agreement, the Company received an upfront payment of \$2.0 million from Canon US Life Sciences, and the agreement includes an additional \$6.5 million of consideration upon achieving certain development and regulatory milestones for total aggregate payments of up to \$8.5 million. In October 2015, the Company achieved a specified technical requirement and received \$1.5 million related to the achievement of the milestone. The Company is eligible to receive an additional \$5.0 million under the arrangement, in two milestone payments of \$2.0 million and \$3.0 million, related to the achievement of additional development and regulatory milestones. All payments under the Co-Development Agreement are non-refundable once received. The Company will retain exclusive worldwide commercialization rights of any products developed under the Co-Development Agreement, including sales, marketing and distribution and Canon US Life Sciences will not receive any commercial rights and will be entitled to only receive royalty payments on the sales of all products developed under the Co-Development Agreement. Either party may terminate the Co-Development Agreement upon the occurrence of a material breach by the other party (subject to a cure period).

The Company evaluated the deliverables under the Co-Development Agreement and determined that the Co-Development Agreement included one unit of accounting, the research and development services, as the joint research and development committee deliverable was deemed to be *de minimis*. The Company is recognizing revenue for research and development services as a component of research revenue in the condensed consolidated financial statements as the services are delivered using the proportional performance method of accounting, limited to payments earned. Costs incurred to deliver the services under the Co-Development Agreement are recorded as research and development expense in the condensed consolidated financial statements.

The Company recorded revenue of \$0.0 and \$0.4 million during the three months ended September 30, 2017 and September 30, 2016, respectively, and recorded revenue of \$0.3 million and \$1.5 million during the nine months ended September 30, 2017 and 2016, under the Co-Development Agreement, and expects to record revenue over the next two years, provided development milestones are achieved.

Allergan Sales, LLC

On November 1, 2016, the Company entered into a Co-Development, Collaboration and Co-Marketing Agreement (the “Allergan Agreement”) with Allergan Sales, LLC (“Allergan Sales”) to develop (1) a direct detection diagnostic test panel that adds one additional bacteria species to the existing T2Bacteria product candidate (the “T2Bacteria II Panel”), and (2) a direct detection diagnostic test panel for testing drug resistance directly in whole blood (the “T2GNR Panel” and, together with the T2Bacteria II Panel, the “Developed Products”). In addition, both the Company and Allergan Sales will participate in a joint research and development committee and Allergan Sales will receive the right to cooperatively market the T2Candida, T2Bacteria, and the Developed Products under the Allergan Agreement to certain agreed-upon customers. On June 1, 2017 the Company and Allergan Sales entered into an Amendment to the Allergan Agreement which primarily modified the project plan to combine the T2Bacteria II Panel and T2GNR Panel into one test panel.

Under the terms of the Allergan Agreement, the Company received an upfront payment of \$2.0 million from Allergan Sales and will receive additional milestone payments upon achieving certain developmental milestones for total aggregate payments of up to \$4.0 million. All payments under the Allergan Agreement are non-refundable once received. The Company will retain exclusive

worldwide commercialization rights of any products developed under the Allergan Agreement, including distribution, subject to Allergan Sales' right to co-market the Developed Products. Allergan Sales, at its election, may co-market T2Candida, T2Bacteria and the Developed Products worldwide to certain agreed-upon customers and will receive royalty based on its sales for a period of time.

The Company evaluated the deliverables under the Allergan Agreement and determined that the Allergan Agreement included two units of accounting, the research and development services for the T2Bacteria II Panel and the research and development services for the T2GNR Panel, as the joint research and development committee and right to cooperatively market deliverables were deemed to be *de minimus*. The Company is recognizing revenue for research and development services as a component of research revenue in the consolidated financial statements as the services are delivered using the proportional performance method of accounting, limited to payments earned. Costs incurred to deliver the services under the Allergan Agreement are recorded as research and development expense in the consolidated financial statements.

The Company recorded revenue of \$0.4 million and \$0.6 million for the three and nine months ended September 30, 2017, respectively, under the Allergan Agreement and expects to record revenue over the next two years, provided development and regulatory milestones are achieved.

11. Subsequent Events.

None

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 U.S. Food and Drug Administration ("FDA") regulatory clearance, 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 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 speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of risks, uncertainties and assumptions described under the sections in this Quarterly Report on Form 10-Q entitled "Item 1A.—Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q. These forward looking statements are subject to numerous risks, including, without limitation, the following:

- 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 of our anticipated sales cycle;*
- 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 need 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;
- federal, state, and foreign regulatory requirements, including FDA regulation of our product candidates; and
- our ability to protect and enforce our intellectual property rights, including our trade secret-protected proprietary rights in T2MR.

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 “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016, as supplemented or amended from time to time under “Item 1A.—Risk Factors” in our Quarterly Reports on Form 10-Q, and elsewhere 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 consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the “Item 1A.—Risk Factors” section of this Quarterly Report on Form 10-Q, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Business Overview

We are 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. We are using our 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 and urine, and can detect cellular targets at limits of detection as low as one colony forming unit per milliliter (“CFU/mL”). Our initial development efforts target sepsis and Lyme disease, which are areas of significant unmet medical need in which existing therapies could be more effective with improved diagnostics. On September 22, 2014, we received market clearance from the FDA for our first two products, the T2Dx Instrument (the “T2Dx”) and the T2Candida Panel (“T2Candida”), which have the ability to rapidly identify the five clinically relevant species of *Candida*, a fungal pathogen known to cause sepsis. In the United States, we have built a direct sales force that is primarily targeting the top 450 hospitals with the highest concentration of patients at risk for *Candida* infections. This target number of hospitals may be increased to an estimated over 1,200 with the introduction of T2Bacteria in the United States upon approval by the FDA. Outside of the United States, we have partnered with distributors that target large hospitals in their respective markets. Four additional diagnostic applications in various stages of development are called T2Bacteria, T2Candida auris, T2GNR and T2Lyme, which are focused on bacterial and fungal infections and Lyme disease, respectively. In late 2015, we initiated the collection of patient blood samples to support the clinical trial in the United States for T2Bacteria, and in early 2017, we initiated a multi-site clinical trial for T2Bacteria. The T2Bacteria Panel received authorization to affix a CE mark in July 2017 and is being commercially launched in Europe and other countries that accept the CE mark. The multi-site clinical study was completed in the United States in August 2017. On September 8, 2017, we filed a 510(k) premarket notification with the FDA requesting market clearance to enable commercial launch of T2Bacteria for clinical use in the United States. T2 Bacteria is currently available in the United States for Research Use Only (RUO). We believe that we may receive a determination from the FDA on our application for the T2Bacteria possibly as early as the end of 2017, although it may take longer for the FDA to reach a decision and there can be no assurance of such a determination within this timeframe or at all. We believe that T2Bacteria, if approved, may expand the number of high risk patients who could be candidates for testing with T2Candida and/or T2Bacteria. We expect that existing reimbursement codes will support our sepsis and Lyme disease products and product candidates, and that the anticipated economic savings associated with testing of hospital inpatients in the United States with our sepsis products will be realized directly by hospitals.

We believe our sepsis products, which include T2Candida and our product candidate, T2Bacteria, will redefine the standard of care in sepsis management while lowering healthcare costs by improving both the precision and the speed of detection of sepsis-causing pathogens. According to a study published in the Journal of Clinical Microbiology in 2010, targeted therapy for patients with bloodstream infections can be delayed up to 72 hours due to the wait time for blood culture results. In another study published in Clinical Infectious Diseases in 2012, the delayed administration of appropriate antifungal therapy was associated with higher mortality among patients with septic shock attributed to *Candida* infection and, on that basis, the study concluded that more rapid and accurate

diagnostic techniques are needed. Due to the high mortality rate associated with *Candida* infections, physicians often will place patients on antifungal drugs while they await blood culture diagnostic results which generally take at least five days to generate a negative test result. Antifungal drugs are toxic and may result in side effects and can cost over \$50 per day. T2Candida's speed to result coupled with its superior sensitivity as compared to blood culture may help 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 antifungal therapy. 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 ("CDC") recently called "one of our most serious health threats." The T2Sepsis Solution refers to the approach of combining the standard of care for the management of sepsis patients with our products, including the T2Dx Instrument, or the T2Dx, T2Candida, and T2Bacteria, which is commercially available in Europe and other countries that accept the CE mark and available for research use only in the United States. The T2Sepsis Solution is designed to enable clinicians to potentially treat 95% of septic patients within the first twelve hours of developing the symptoms of disease. 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 have a bacterial infection and 10% have *Candida* infections. T2Candida and our product candidate, T2Bacteria are designed to identify pathogens commonly not covered by broad spectrum antibiotic drugs, which we believe may enable physicians to effectively treat an additional 35% of septic patients beyond the 60% of patients covered by broad spectrum antibiotic drugs.

We compete with traditional blood culture-based diagnostic companies, including Becton Dickinson & Co. and bioMerieux, Inc., as well as companies offering post-culture species identification using both molecular and non-molecular methods, including bioMerieux, Inc. (and its affiliate, BioFire Diagnostics, Inc.), Bruker Corporation, Accelerate Diagnostics, Luminex, Genmark, Cepheid and Beckman Coulter, a Danaher company.

We have never been profitable and have incurred net losses in each year since inception. Our accumulated deficit at September 30, 2017 was \$247.9 million. 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 T2Dx and T2Candida. In addition, we expect that costs and expenses may increase 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, T2Candida, our product candidate, T2Bacteria, and future T2MR-based diagnostics.

Management believes that its existing cash and cash equivalents at September 30, 2017, together with the additional remaining liquidity on the Company's Term Loan Agreement of up to an additional \$10.0 million (which is available at any time through July 27, 2018, subject to certain conditions including that the Company receives 510(k) clearance for the marketing of T2Bacteria by the FDA by April 30, 2018, see Note 5 for details) will be sufficient to allow the Company to fund its current operating plan to the first half of 2019. Should the Company's current operating plans not materialize as expected, or it is unable to obtain additional capital on a timely basis, or on acceptable terms, the Company will be required to change its current operating plans to reduce its future expenses in order to fund operations at reduced levels.

Our Commercial Products and the Unmet Clinical Need

Our initial FDA-cleared products, the T2Dx instrument and T2Candida, utilize T2MR to detect species-specific *Candida* directly from whole blood in as few as three hours versus the one to six or more days typically required by blood culture-based diagnostics. This allows the patient to potentially receive the correct treatment in four to six hours versus 24 to 144 hours for blood culture. The T2Candida runs on the T2Dx and provides high sensitivity with a limit of detection as low as 1 CFU/mL, even in the presence of antimicrobial therapy.

Our T2Candida Panel

Our direcT2 pivotal clinical trial was designed to evaluate the sensitivity and specificity of T2Candida on the T2Dx. The direcT2 trial consisted of two patient arms: a prospective arm with 1,501 samples from patients with a possible infection and a seeded arm with 300 samples, also obtained from patients with a possible infection. T2Candida and the T2Dx demonstrated a sensitivity of 91.1 percent and a specificity of 99.4 percent. In addition, the speed to a species-specific positive result with T2Candida was 4.4 hours versus 129 hours with blood culture. A negative result from T2Candida was obtained in just 4.2 hours versus greater than 120 hours with blood culture. The data and other information from the direcT2 pivotal clinical trial was published in January 2015 in *Clinical Infectious Diseases*.

Sepsis is one of the leading causes of death in the United States, claiming more lives annually than breast cancer, prostate cancer and AIDS combined, and it is the most expensive hospital-treated condition. Most commonly afflicting immunocompromised, critical care and elderly patients, sepsis is a severe inflammatory response to a bacterial or fungal infection with a mortality rate of approximately 30%. According to data published by the U.S. Department of Health and Human Services for 2016, the cost of sepsis was over \$23 billion in the United States, or approximately 5% of the total aggregate costs associated with domestic hospital stays. Sepsis is typically caused by one or more of five *Candida* species or over 25 bacterial pathogens, and effective treatment requires the early detection and identification of these specific target pathogens in a patient's bloodstream. Today, sepsis is typically diagnosed through a series of blood cultures followed by post-blood culture species identification. These methods have substantial diagnostic limitations that lead to a high rate of false negative test results, a delay of up to several days in administration of targeted treatment and the incurrence of unnecessary hospital expense. In addition, the Survey of Physicians' Perspectives and Knowledge About Diagnostic Tests for Bloodstream Infections in 2015 reported that negative blood culture results are only trusted by 36% of those physicians. Without the ability to rapidly identify pathogens, physicians typically start treatment of at-risk patients with broad-spectrum antibiotics, which can be ineffective and unnecessary and have contributed to the spread of antimicrobial resistance. According to a study published by Critical Care Medicine in 2006, in sepsis patients with documented hypotension, administration of effective antimicrobial therapy within the first hour of detection was associated with a survival rate of 79.9% and, over the ensuing six hours, each hour of delay in initiation of treatment was associated with an average decrease in survival of 7.6%.

We believe our sepsis products, which include T2Candida and our product candidate, T2Bacteria, will redefine the standard of care in sepsis management while lowering healthcare costs by improving both the precision and the speed of detection of sepsis-causing pathogens. According to a study published in the *Journal of Clinical Microbiology* in 2010, targeted therapy for patients with bloodstream infections can be delayed up to 72 hours due to the wait time for blood culture results. In another study published in *Clinical Infectious Diseases* in 2012, the delayed administration of appropriate antifungal therapy was associated with higher mortality among patients with septic shock attributed to *Candida* infection and, on that basis, the study concluded that more rapid and accurate diagnostic techniques are needed. Our pivotal clinical trial demonstrated that T2Candida can deliver actionable results in as few as three hours, with an average time to result during the trial of 4.2 hours, compared to the average time to result of one to six or more days typically required for blood-culture-based diagnostics, which we believe will potentially enable physicians to make treatment decisions and administer targeted treatment to patients in four to six hours versus 24 to 144 hours for blood culture. We believe that T2Bacteria will also deliver actionable results in similar timeframes because this diagnostic panel operates similarly to T2Candida and is designed to run on the same instrument as T2Candida.

Candida is the fourth leading hospital-acquired bloodstream infection, afflicting more than 135,000 patients per year in the United States, and the most lethal form of common bloodstream infections that cause sepsis, with an average mortality rate of approximately 40%. This high mortality rate is largely due to a delay in providing targeted therapy to the patient due to the elapsed time from *Candida* infection to positive diagnosis. According to a study published in *Antimicrobial Agents and Chemotherapy*, the *Candida* mortality rate can be reduced to 11% with the initiation of targeted therapy within 12 hours of presentation of symptoms. Additionally, a typical patient with a *Candida* infection averages 40 days in the hospital, including nine days in intensive care, resulting in an average cost per hospital stay of more than \$130,000 per patient. In a study published in the *American Journal of Respiratory and Critical Care Medicine*, providing targeted antifungal therapy within 24 hours of the presentation of symptoms decreased the length of hospital stay by approximately ten days and decreased the average cost of care by approximately \$30,000 per patient. Furthermore, in April 2015, *Future Microbiology* published the results of an economic study regarding the use of T2Candida conducted by IMS Health, a healthcare economics agency. In that economic study, IMS demonstrated that an average hospital admitting 5,100 patients at risk for *Candida* infections could save approximately \$5.8 million annually due to decreased hospital stays for patients, reduction in use of antifungal drugs, and other associated savings. The economic study further showed T2Candida can potentially reduce the costs of care by \$26,887 per *Candida* patient and that rapid detection of *Candida* reduces patient deaths by 60.6%. Results from a data analysis of T2Candida for the detection and monitoring of *Candida* infection and sepsis were published comparing aggregated results from the use of T2Candida to blood culture-based diagnostics for the detection of invasive candidiasis and candidemia. The analysis included samples acquired from more than 1,900 patients. Out of 55 prospective patient cases that were tested with T2Candida and blood culture and determined to be positive or likely to be positive for a *Candida* infection, T2Candida detected 96.4% of the patients (53 cases) compared to detection of 60% of the patients (33 cases) with blood culture. During 2016, a number of T2Candida users presented data on their experiences with the T2Candida Panel which demonstrated both the clinical and economic benefits of use of the T2Candida Panel in the diagnostic regimen. The Henry Ford Health System in Detroit, Michigan reported data on a pre- and post-T2Candida implementation analysis that covered 6 months of clinical experience. The data showed a statistically significant ($p = 0.009$) seven day reduction in median Intensive Care Unit ("ICU") length of stay per positive patient that was identified as positive for *Candida* after implementation of the T2Candida test panel and a trend ($p = 0.164$) of total hospital length of stay reduction of four days. The data also showed significant reductions in use of antifungal drugs for negative patients tested with T2Candida. The overall economic savings resulting from these clinical benefits was projected to be approximately \$2.3 million on an annualized basis. The Lee Health System in Fort Myers, Florida compared patient and economic experience before and after T2Candida implementation. The data demonstrated that in the post-T2Candida cohort, median length of stay for patients with *Candida* infections was reduced by 7 days when detected by T2Candida while unnecessary antifungal therapy was avoided in 41% of patients

tested and was discontinued after one dose in another 15% of patients tested. The average economic savings derived solely from reduction in antifungal drug use was \$195 per patient tested, net of the cost of the T2Candida test panel. Huntsville Hospital in Huntsville, Alabama, reported that the use of the T2Candida test panel resulted in a reduction in the duration of therapy and time to de-escalation in patients that tested negative for *Candida* on the T2Candida test panel, yielding net pharmacy savings of approximately \$280 per patient tested. T2Candida also detected 56% more positive patients than blood culture. Finally, Riverside Community Hospital in Riverside, California, demonstrated improvements in time to appropriate therapy, increased sensitivity, and rapid discontinuation of antifungal therapy when using T2Candida. Specifically, 83% of patients who tested positive with T2Candida received appropriate therapy within six hours of the blood draw and 100% of patients received appropriate therapy in under nine hours. None of the patients who tested positive had been identified to have been treated with antifungals prior to T2Candida testing. In addition, antifungal therapy was discontinued for 100% of the patients who tested negative with T2Candida.

Due to the high mortality rate associated with *Candida* infections, physicians often will place patients on antifungal drugs while they await blood culture diagnostic results which generally take at least five days to generate a negative test result. Antifungal drugs are toxic and may result in side effects and can cost over \$50 per day. T2Candida's speed to result coupled with its superior sensitivity as compared to blood culture may help reduce the overuse of ineffective, or even unnecessary, antimicrobial therapy which may reduce side effects for patients, hospital costs and potentially, the growing resistance to antifungal therapy. This inappropriate therapy is a driving force behind the spread of antimicrobial-resistant pathogens, which the CDC recently called "one of our most serious health threats."

Our T2Candida auris Panel

On September 6, 2017, we announced that the Centers for Disease Control and Prevention (CDC) has agreed to utilize the T2Dx Instrument and the T2Candida auris investigational use only panel in their laboratory for testing and monitoring the emergence and outbreaks of the superbug *Candida auris* in hospitals around the country. *Candida auris* is a multi-drug resistant pathogen recognized by the CDC as a "serious global health threat" because it can be resistant to "all three major classes of antifungal drugs" and difficult to identify. The CDC has also reported that more than one in three patients with *Candida auris* infections have died. Unlike most other species of *Candida*, *Candida auris* can spread quickly in a hospital making rapid identification and hospital environment surveillance a critical component of containing these outbreaks. Existing laboratory methods that detect *Candida auris*, including blood culture, suffer from prolonged detection times and low accuracy, which exacerbates the challenge in the fight to contain the superbug. Recently, reported cases have surged internationally, and the CDC has reported a significant increase in infected patients in the United States. According to the European Centre for Disease Prevention and Control, hospital outbreaks have occurred in the United Kingdom and Spain. Because *Candida auris* can be resistant to most treatment options and can spread so quickly, these hospital outbreaks have been difficult to contain by even the most enhanced control measures. We are also conducting a study in Europe that has demonstrated the ability to detect *Candida auris* directly in patient blood specimens.

Our T2Bacteria Panel

We have also developed a product candidate named T2Bacteria, a multiplex diagnostic panel that detects six major bacterial pathogens associated with sepsis and, in conjunction with T2Candida and standard empiric therapy regimens, may enable the early, appropriate treatment of 95% of sepsis patients. T2Bacteria, which will also run on the T2Dx, is expected to address the same approximately 6.75 million symptomatic high-risk patients as T2Candida and also a new population of patients who are at increased risk for bacterial infections, including an additional two million patients presenting with symptoms of infection in the emergency room setting. The T2Bacteria Panel received authorization to affix a CE mark in July 2017 and is being commercially launched in Europe and other countries that accept the CE mark.

On August 4, 2017 we completed a pivotal clinical study of the T2Bacteria® Panel, run on the T2Dx® Instrument (T2Dx), which is a qualitative T2 Magnetic Resonance (T2MR®) assay designed for the direct detection of bacterial species in EDTA human whole blood specimens from patients with suspected bacteremia. The T2Bacteria Panel is designed to identify six species of bacteria directly from human whole blood specimens: *Acinetobacter baumannii*, *Enterococcus faecium*, *Escherichia coli*, *Klebsiella pneumoniae*, *Pseudomonas aeruginosa*, and *Staphylococcus aureus*.

The performance characteristics of the T2Bacteria Panel were evaluated through a series of analytical studies as well as a multi-center clinical study. The clinical study evaluated the performance of the T2Bacteria Panel in comparison to the current standard of care, blood culture. All of the data generated in the analytical studies and the clinical study were submitted to the United States Food and Drug Administration, or FDA, in a 510(k) premarket notification on September 8, 2017.

The clinical study consisted of two arms, a prospective arm and a seeded arm. In the prospective arm, a total of 1,427 subjects were tested at eleven geographically dispersed and demographically diverse sites in the United States. In the seeded arm, 300 specimens of known bacterial composition were evaluated at three sites. Seeded specimens were prepared by spiking whole blood

with multiple strains of the bacterial species detected by the T2Bacteria Panel at defined concentrations (CFU/mL). Fifty negative blood samples also were evaluated as part of the seeded arm of the study. In total, 1,777 (1,427 prospective specimens and 350 seeded and negative) clinical samples were tested to evaluate the clinical performance of T2Bacteria Panel.

T2Bacteria is currently available in the United States for Research Use Only (RUO).

Our Sepsis Solution

We believe our T2 Magnetic Resonance technology, or T2MR, delivers what no conventional technology currently available can: a rapid, sensitive and simple diagnostic platform to enable sepsis applications that can identify specific sepsis pathogens directly from an unpurified blood sample in hours instead of days at a level of accuracy equal to or better than blood culture-based diagnostics. The T2Sepsis Solution refers to the approach of combining the standard of care for the management of sepsis patients with our products, including the T2Dx Instrument, or the T2Dx, T2Candida, and T2Bacteria, which is commercially available in Europe and other countries that accept the CE mark and available for research use only in the United States. The T2Sepsis Solution is designed to enable clinicians to potentially treat 95% of septic patients within the first twelve hours of developing the symptoms of disease. 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 have a bacterial infection and 10% have Candida infections. T2Candida and product candidate, T2Bacteria are designed to identify pathogens commonly not covered by broad spectrum antibiotic drugs, which we believe may enable physicians to effectively treat an additional 35% of septic patients beyond the 60% of patients covered by broad spectrum antibiotic drugs.

We believe the T2Sepsis Solution provides a pathway for more rapid and targeted treatment of infections, potentially reducing the mortality rate by as much as 75% if a patient is treated within 12 hours of suspicion of infection and significantly reducing the cost burden of sepsis. Each year, approximately 500,000 patients in the United States die from sepsis. According to a study published by *Critical Care Medicine* in 2006, in sepsis patients with documented hypotension, administration of effective antimicrobial therapy within the first hour of detection was associated with a survival rate of 79.9% and, over the ensuing six hours, each hour of delay in initiation of treatment was associated with an average decrease in survival of 7.6%. According to such study, the survival rate for septic patients who remained untreated for greater than 36 hours was approximately 5%. The toll of sepsis on a patient's health can be severe: more than one-in-five patients die within two years as a consequence of sepsis. Sepsis is also the most prevalent and costly cause of hospital readmissions.

We believe the T2Sepsis Solution addresses a significant unmet need in *in vitro* diagnostics by providing:

- **Limits of Detection as Low as 1 CFU/mL.** T2MR is the only technology currently available that can enable identification of sepsis pathogens directly from a patient's blood sample at limits of detection as low as 1 CFU/mL.
- **Rapid and Specific Results in as Few as Three Hours.** T2MR is the only technology that can enable species-specific results for pathogens associated with sepsis, directly from a patient's blood sample, without the need for blood culture, to deliver an actionable result in three hours.
- **Accurate Results Even in the Presence of Antimicrobial Therapy.** T2MR is the only technology that can reliably detect pathogens associated with sepsis, including slow-growing pathogens, such as *C. glabrata*, directly from a patient's blood sample, even in the presence of an antimicrobial therapy.
- **Easy-to-Use Platform.** T2MR eliminates the need for sample purification or extraction of target pathogens, enabling sample-to-result instruments that can be operated on-site by hospital staff, without the need for highly skilled technicians.

Our T2Dx Instrument

Our FDA-cleared T2Dx instrument is an easy-to-use, fully-automated, benchtop instrument utilizing T2MR for use in hospitals and labs for a broad range of diagnostic tests. To operate the system, a patient's sample tube is snapped onto a disposable test cartridge, which is pre-loaded with all necessary reagents. The cartridge is then inserted into the T2Dx instrument, which automatically processes the sample and then delivers a diagnostic test result. Test results are displayed on screen or directly through the lab information system.

By utilizing our proprietary T2MR technology for direct detection, the T2Dx eliminates the need for sample purification and analyte extraction, which are necessary for other optical-detection devices. Eliminating these sample processing steps increases diagnostic sensitivity and accuracy, enables a broad menu of tests to be run on a single platform, and greatly reduces the complexity of the consumables. The T2Dx incorporates a simple user interface and is designed to efficiently process up to seven specimens simultaneously.

Our T2MR Platform

T2MR is a miniaturized, magnetic resonance-based approach that measures how water molecules react in the presence of magnetic fields. For molecular and immunodiagnostic targets, T2MR utilizes advances in the field of magnetic resonance by deploying particles with magnetic properties that enhance the magnetic resonance signals of specific targets. When particles coated with target-specific binding agents are added to a sample containing the target, the particles bind to and cluster around the target. This clustering changes the microscopic environment of water in that sample, which in turn alters the magnetic resonance signal, or the T2 relaxation signal that we measure, indicating the presence of the target.

We believe that T2MR can also address the significant unmet need associated with Lyme disease, a tick-borne illness that can cause prolonged neurological disease and musculoskeletal disease. For patients with Lyme disease, early diagnosis and appropriate treatment significantly reduces both the likelihood of developing neurological and musculoskeletal disorders, as well as the significant costs associated with treating these complications. Our product candidate, T2Lyme, will identify the bacteria that cause Lyme disease directly from the patient's blood, without the need for blood culture which, for the bacteria associated with Lyme disease, can take several weeks. Our Lyme product candidate is currently in pre-clinical development and we expect to initiate a T2Lyme clinical trial in 2018.

Another significant unmet clinical need is the diagnosis and management of impaired hemostasis, which is a life-threatening condition in which a patient is unable to promote the formation of blood clots to stabilize excessive bleeding. Within the broader population of patients with symptoms of impaired hemostasis, there are over ten million trauma patients in the United States annually. These trauma patients typically face life-threatening injuries or invasive surgical procedures. Approximately 25% of trauma patients have impaired hemostasis, which frequently goes undetected during the initial hospitalization. According to a study in the Journal of the American College of Surgeons, for trauma patients with symptoms of impaired hemostasis, mortality rates were reduced from 45% to 19% with more rapid delivery of therapy. The T2Plex and T2HemoStat are being designed to utilize T2MR and are designed to provide hemostasis measurements in less than 45 minutes. Our product candidate, T2HemoStat, is a comprehensive panel of diagnostic tests that can provide data across the hemostasis spectrum, including measurements of fibrinogen, platelet activity, and clot lysis. We believe that T2HemoStat may be the first panel capable of rapidly identifying key coagulation, platelet and other hematologic factors directly from whole blood on a single, easy-to-operate, compact instrument. We are exploring partnership opportunities to complete the development and commercialization of these products.

We believe T2MR is the first technology with the ability to detect directly from a clinical sample of whole blood, plasma, serum, saliva, sputum or urine, saving time and potentially improving sensitivity by eliminating the need for purification or the extraction of target pathogens. T2MR has been demonstrated to detect cellular targets at limits of detection as low as one colony-forming unit per milliliter (CFU/mL). More than 100 studies published in peer reviewed journals have featured T2MR in a breadth of applications.

Financial Overview

Revenue

We generate revenue from the sale of our products and from activities performed pursuant to research and development agreements.

Revenue earned from activities performed pursuant to research and development agreements is reported as research revenue using the proportional performance method as the work is completed, limited to payments earned, and the related costs are expensed as incurred as research and development expense.

Product revenue is derived from the sale of our instruments and related 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 our customers, including our 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 recognize product revenue from the sale of our instruments as soon as all applicable revenue recognition criteria have been met. In the majority of cases, we expect to place our instruments, under reagent rental agreements, in hospitals, certain of which may include minimum commitments and/or an incremental charge on the purchase of our consumable diagnostic tests. Under this business model, we believe we will recover the cost of placing our instruments in hospitals through the margins realized from our consumable diagnostic tests. Our consumable diagnostic tests can only be used with our instruments, and accordingly, as the installed base of our instruments grows, we expect the following to occur:

- recurring revenue from our consumable diagnostic tests will increase and become subject to less period-to-period fluctuation;
- consumable revenue will become an increasingly predictable and important contributor to our total revenue; and
- we will gain economies of scale through the growth in our sales, resulting in improving gross margins and operating margins.

Revenue from consumables is based on the volume of tests sold and the price of each consumable unit.

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 continue to represent a high percentage of our product revenue as we continue to invest in our manufacturing capabilities, infrastructure and customer service organization and grow our installed customer base. We plan to continue to expand our capacity to support our growth, which will result in higher cost of revenue in absolute dollars. However, we expect cost of product revenue, as a percentage of revenue, to decline as revenue grows in the future.

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 revenue. We expense all research and development costs as incurred.

We anticipate our overall research and development expenses to continue to be flat to down over the next several quarters in part due to the completion of our T2Bacteria clinical trial. Research and development costs include costs to support research partnerships, clinical trials and new product development. We have committed, and expect to commit, significant resources toward developing additional product candidates, improving existing products, conducting ongoing and new clinical trials and expanding our laboratory capabilities.

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 increase in future periods as we commercialize products and future product candidates and as our needs for sales, marketing and administrative personnel grow. 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 all selling, general and administrative expenses as incurred.

Interest expense, net

Interest expense, net, consists primarily of interest expense on our notes payable and the amortization of deferred financing costs, partially offset by interest earned on our cash and cash equivalents.

Other income, net

Other income, net, consists of dividend and other investment income, government grant income and the gain or loss associated with the change in the fair value of our liability for warrants to purchase redeemable securities.

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, 2016 remain 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, 2016.

Results of Operations for the Three Months Ended September 30, 2017 and 2016

	Three Months Ended September 30,		Change
	2017	2016	
	(in thousands)		
Revenue:			
Product revenue	\$ 739	\$ 580	\$ 159
Research revenue	369	504	(135)
Total revenue	1,108	1,084	24
Costs and expenses:			
Cost of product revenue	2,106	1,894	212
Research and development	5,880	5,200	680
Selling, general and administrative	5,559	5,935	(376)
Total costs and expenses	13,545	13,029	516
Loss from operations	(12,437)	(11,945)	492
Interest expense, net	(1,718)	(876)	(842)
Other income, net	79	38	41
Net loss	<u>\$ (14,076)</u>	<u>\$ (12,783)</u>	<u>\$ (1,293)</u>

Product revenue

Product revenue was \$0.7 million for the three months ended September 30, 2017 compared to \$0.6 million for the three months ended September 30, 2016, an increase of \$0.1 million or 27.4%. The increase was driven primarily by higher comparable sales of T2Candida consumables of \$0.2 million and slightly higher support contract revenue plus sales of the new T2Bacteria consumables product in Europe. The increases were partially offset by lower instrument sales of \$0.1 million.

Research revenue

Research revenue was \$0.4 million for the three months ended September 30, 2017, compared to \$0.5 million for the three months ended September 30, 2016, a decrease of \$0.1 million or 26.8%. The decrease was primarily the result of lower revenue recognized under our Co-Development Agreement with Canon US Life Sciences, which decreased \$0.4 million over the prior year

comparable period, as well as a decrease in revenue from research and development agreements utilizing T2MR technology with other third parties of \$0.1 million. These decreases were offset by an increase in revenue from services delivered under our Co-Development Agreement with Allergan Sales, LLC of \$0.4 million.

Cost of product revenue

Cost of product revenue was \$2.1 million for the three months ended September 30, 2017, compared to \$1.9 million for the three months ended September 30, 2016, an increase of \$0.2 million. The increase in cost primarily correlated to increased product revenue and continued expansion of manufacturing activities and certain manufacturing costs of \$0.4 million over the prior year comparable period. The increases were offset by lower costs for consumables and instruments of \$0.1 million and lower service related and miscellaneous costs of \$0.1 million.

Research and development expenses

Research and development expenses were \$5.9 million for the three months ended September 30, 2017, compared to \$5.2 million for the three months ended September 30, 2016, an increase of \$0.7 million over the prior year comparable period. Clinical trial and related expenses increased by \$0.3 million primarily from the T2Bacteria clinical trial. Facilities related and other research and development expenses increased by \$0.2 million which includes increased depreciation, lab related and engineering prototype expenses. Outside service and travel expenses increased by \$0.3 million, primarily from increased work on the T2Bacteria clinical trial. Payroll and related expenses increased by \$0.2 million. Partially offsetting these increases is a decrease in preclinical related expenses of \$0.3 million.

Selling, general and administrative expenses

Selling, general and administrative expenses were \$5.6 million for the three months ended September 30, 2017, compared to \$5.9 million for the three months ended September 30, 2016, a decrease of \$0.3 million over the prior year comparable period. The decrease was due primarily to decreased payroll and related expenses of approximately \$0.2 million, due to a reduction in headcount, decreased travel expenses of \$0.1 million and decreased outside services of \$0.1 million. The decreases were partially offset by increased legal expenses of \$0.1 million.

Interest expense, net

Interest expense, net, was \$1.7 million for the three months ended September 30, 2017, compared to \$0.9 million for the three months ended September 30, 2016. Interest expense, net, increased by \$0.8 million primarily from the refinancing of debt with CRG.

Other income, net

Other income, net, was \$79,000 of net income for the three months ended September 30, 2017, compared to \$38,000 for the three months ended September 30, 2016. Other income, net, increased by \$41,000 due primarily to increased dividend and other investment income earned on higher average levels of invested cash over the prior comparable period.

Results of Operations for the Nine Months Ended September 30, 2017 and 2016

	Nine Months Ended September 30,		Change
	2017	2016	
	(in thousands)		
Revenue:			
Product revenue	\$ 2,105	\$ 1,168	\$ 937
Research revenue	900	2,003	(1,103)
Total revenue	3,005	3,171	(166)
Costs and expenses:			
Cost of product revenue	5,722	4,701	1,021
Research and development	19,577	18,160	1,417
Selling, general and administrative	17,192	18,282	(1,090)
Total costs and expenses	42,491	41,143	1,348
Loss from operations	(39,486)	(37,972)	(1,514)
Interest expense, net	(5,008)	(2,416)	2,592
Other income, net	260	133	127
Net loss	<u>\$ (44,234)</u>	<u>\$ (40,255)</u>	<u>\$ (3,979)</u>

Product revenue

Product revenue was \$2.1 million for the nine months ended September 30, 2017 compared to \$1.2 million for the nine months ended September 30, 2016, an increase of \$0.9 million or 80.2%. The increase was driven by an increase in sales volume of our products, primarily the sale of T2Candida and T2Bacteria (in Europe) consumable diagnostic tests of \$0.6 million plus higher instrument sales of \$0.1 million and an increase in service contract revenue.

Research revenue

Research revenue was \$0.9 million for the nine months ended September 30, 2017, compared to \$2.0 million for the nine months ended September 30, 2016, a decrease of \$1.1 million or 55.0%. This decrease was primarily the result of lower revenue recognized under our Co-Development Agreement with Canon of \$1.2 million as well as a decrease in revenue from research and development agreements utilizing our T2MR technology with other third parties over the prior year comparable period. These decreases were offset by revenue recognized under our Co-Development Agreement with Allergan Sales, LLC.

Cost of product revenue

Cost of product revenue was \$5.7 million for the nine months ended September 30, 2017, compared to \$4.7 million for the nine months ended September 30, 2016, an increase of \$1.0 million. \$0.3 million of the increase in cost correlates to increased product revenue. In addition, other cost increases relate to continued expansion of manufacturing activities and certain manufacturing costs of \$0.2 million, depreciation of \$0.2 million and increase in reserves of \$0.3 million over the prior year comparable period.

Research and development expenses

Research and development expenses were \$19.6 million for the nine months ended September 30, 2017, compared to \$18.2 million for the nine months ended September 30, 2016, an increase of \$1.4 million over the prior year comparable period. Clinical trial and related expenses increased by \$1.1 million primarily from the T2Bacteria clinical trial. Facilities related and other expenses increased by \$0.4 million which includes higher depreciation, lab related and engineering prototype expenses. Outside service and travel expenses increased by \$0.4 million, primarily from increased work on the T2Bacteria clinical trial. Partially offsetting these increases is a decrease in preclinical related expenses of \$0.3 million, a decrease in payroll and related expenses of \$0.1 million.

Selling, general and administrative expenses

Selling, general and administrative expenses were \$17.2 million for the nine months ended September 30, 2017, compared to \$18.3 million for the nine months ended September 30, 2016, a decrease of \$1.1 million. The decrease was due primarily to decreased payroll and related expenses of approximately \$1.1 million, due to a reduction in headcount, decreased travel expenses of \$0.3 million related to headcount reduction, and decreased legal expenses of \$0.1 million. These decreases were partially offset by increased

outside services expenditures of \$0.2 million and increased facility and other selling, general and administrative expenses of \$0.2 million.

Interest expense, net

Interest expense, net, was \$5.0 million for the nine months ended September 30, 2017, compared to \$2.4 million for the nine months ended September 30, 2016. Interest expense, net, increased by \$2.6 million primarily from the refinancing of debt with CRG.

Other income, net

Other income, net, was \$260,000 for the nine months ended September 30, 2017, compared to \$133,000 for the nine months ended September 30, 2016. Other income, net, increased by \$127,000 due primarily to increased dividend and other investment income earned on higher average levels of invested cash over the prior comparable period.

Liquidity and Capital Resources

We have incurred losses and cumulative negative cash flows from operations since our inception, and as of September 30, 2017, and December 31, 2016 we had an accumulated deficit of \$247.9 million and \$203.7 million respectively. We anticipate that we will continue to incur losses for at least the next few years. We expect that our operating expenses will continue to increase and, as a result, we will need additional capital to fund our operations, which we may raise through a combination of equity offerings, debt financings, other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements.

We have historically funded our operations principally from the sale of common stock and preferred stock, the incurrence of indebtedness, and revenue from research and development agreements. In September 2017 we raised net proceeds of \$18.8 million through our confidentially marketed public offering (“CMPO”).

Plan of operations and future funding requirements

As of September 30, 2017 and December 31, 2016 we had unrestricted cash and cash equivalents of approximately \$52.9 million and \$73.5 million respectively. Currently, our funds are primarily held in money market funds invested in U.S. government agency 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.

Management believes that the existing cash and cash equivalents at September 30, 2017, together with the additional remaining liquidity on our Term Loan Agreement of up to an additional \$10.0 million, will be sufficient to fund our current operating plan into the first half of 2019. The borrowing on the Term Loan Agreement is available at any time through July 27, 2018, and is subject to certain conditions including that we receive 510(k) clearance for the marketing of T2Bacteria™ by the FDA by April 30, 2018 (see Note 5 to our unaudited condensed consolidated financial statements for details). Should our current operating plan not materialize as expected, including our ability to draw additional borrowings on the Term Loan Agreement on a timely basis, we would delay certain research projects and capital expenditures and reduce or eliminate certain future operating expenses in order to fund operations at reduced levels to continue as a going concern for a period of 12 months from the date the financial statements are issued. The Term Loan Agreement also requires 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. The revenue target for fiscal 2017 is \$5.0 million. Should we fall short of the revenue target we would seek a waiver of this provision. There can be no assurances that we would be successful in obtaining a waiver.

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 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.

Cash flows

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

	Nine Months Ended September 30,	
	2017	2016
	(in thousands)	
Net cash (used in) provided by:		
Operating activities	\$ (36,641)	\$ (36,143)
Investing activities	(2,601)	(4,594)
Financing activities	18,651	42,186
Net decrease in cash and cash equivalents	<u>\$ (20,591)</u>	<u>\$ 1,449</u>

Net cash used in operating activities

Net cash used in operating activities was approximately \$36.7 million for the nine months ended September 30, 2017, and consisted primarily of a net loss of \$44.2 million adjusted for non-cash items including stock-based compensation expense of \$3.8 million, depreciation and amortization expense of \$2.2 million, non-cash interest expense of \$2.0 million, loss on sale of T2 owned equipment of \$0.2 million, offset by deferred rent of \$0.1 million, and a net change in operating assets and liabilities of \$0.4 million, primarily related to an increase in accrued expenses and accounts payable of \$0.4 million, an increase in accounts receivable of \$0.1 million, an increase in inventory of \$0.5 million to support our commercial demand, an increase in deferred revenue of \$0.4 million, and a decrease in prepaid expenses and other assets of \$0.1 million.

Net cash used in operating activities was approximately \$36.1 million for the nine months ended September 30, 2016, and consisted primarily of a net loss of \$40.3 million adjusted for non-cash items including depreciation and amortization expense of \$1.6 million, stock-based compensation expense of \$3.7 million, non-cash interest expense of \$0.5 million, deferred rent of \$0.2 million, and a net change in operating assets and liabilities (use of cash) of \$1.4 million, primarily related to an increase in inventory of \$0.7 million to support our commercial demand, prepaid expenses of \$0.1 million related to the amortization of insurance premiums and a decrease in deferred revenue of approximately \$1.3 million primarily related to the recognition of revenue from our Co-Development Agreement with Canon US Life Sciences, partially offset by an increase in accounts payable and accrued expenses of \$0.7 million related to increased audit, clinical study and payroll accruals.

Net cash used in investing activities

Net cash used in investing activities was approximately \$2.6 million for the nine months ended September 30, 2017 and consisted of costs to acquire property and equipment and purchases of T2-owned instruments of \$0.9 and \$1.8 million, respectively, which are classified as property and equipment, less \$0.1 million cash received from sale of T2-owned instruments.

Net cash used in investing activities was approximately \$4.6 million for the nine months ended September 30, 2016 and consisted of costs to acquire components of and manufacture Company-owned instruments of \$3.7 million, which are classified as property and equipment, \$0.7 million of purchases of laboratory and manufacturing equipment incurred to support commercialization efforts and research and development programs and \$0.2 million of other equipment and software purchases to support internal functions.

Net cash provided by financing activities

Net cash provided by financing activities was approximately \$18.7 million for the nine months ended September 30, 2017, and consisted primarily of \$18.8 million in net proceeds from our September 2017 CMPO and by \$0.7 million of proceeds from the exercise of stock options and sale of common stock under our 2014 Employee Stock Purchase Plan partially offset by \$0.9 million of repayments of notes payable.

Net cash provided by financing activities was approximately \$42.2 million for the nine months ended September 30, 2016, and consisted primarily of proceeds from our September 21, 2016 PIPE financing with Canon of \$39.7 million, in which we sold 6,055,341 shares of common stock at the closing price of \$6.56 per share. Net cash provided by financing activities also consisted of \$0.7 million of proceeds from the exercise of stock options and sale of common stock under our 2014 Employee Stock Purchase Plan and \$4.6 million of proceeds from the Credit Facility. Partially offsetting these sources of cash were \$2.5 million of repayments of notes payable and \$0.3 million of payments of issuance costs from our December 2015 secondary offering.

Borrowing Arrangements

Term Loan Agreement

In December 2016, we entered into a Term Loan Agreement (the “Term Loan Agreement”) with CRG. We borrowed \$40.0 million pursuant to the Term Loan Agreement and may borrow up to an additional \$10.0 million at any time through and including July 27, 2018, provided that, among other conditions, we receive 510(k) clearance for the marketing of T2Bacteria by the FDA on or before April 30, 2018, or the Approval Milestone. The Term Loan Agreement has a six-year term with three years (through December 30, 2019) of interest-only payments, which period shall be extended to four years (through December 30, 2020) if we achieve the Approval Milestone, 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 (a) prior to the Approval Milestone, 12.5%, 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, 11.5%, 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 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 8.0% of the principal outstanding upon repayment.

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 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. 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. 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, as there have been no such events. We believe the likelihood of CRG exercising this right is remote.

We assessed the terms and features of the Term Loan Agreement in order to identify any potential embedded features that would require bifurcation or any beneficial conversion features. As part of this analysis, we assessed the economic characteristics and risks of the Term Loan Agreement, including put and call features. We determined that the features of the Term Loan Agreement are either clearly and closely associated with a debt host and do not require bifurcation as a derivative liability, or the fair value of the feature is immaterial. Included in these features are principal payment acceleration clauses triggered by a developmental milestone. Should our assessment of this milestone change, there could be a non-cash charge in operations. We will continue to reassess the features to determine if they require separate accounting on a quarterly basis.

In December 2016, pursuant to the Term Loan Agreement, we made an initial draw of \$39.2 million, net of financing fees. We used approximately \$28.0 million of the initial proceeds to repay approximately \$27.5 million of outstanding debt pursuant to the Loan and Security Agreement and to repay approximately \$0.5 million of outstanding debt pursuant to the Promissory Note. Upon the repayment of all amounts owed by us under these agreements, all commitments were terminated and all security interests granted by us were released.

Promissory Note

In May 2011, the Company entered into a promissory agreement (the “Promissory Note”) with a separate lender to borrow up to \$1.7 million for the purchase of laboratory equipment and office equipment through December 2013. The Company borrowed a total of \$1.4 million under the Promissory Note. The Company paid interest only on the borrowings through December 2013 and was required to make equal monthly payments of principal and interest through the maturity date. In December 2016, the Company used approximately \$0.5 million of the proceeds from the Term Loan agreement to repay the outstanding debt pursuant to the Promissory Note. Upon the repayment of all amounts owed by the Company under the Promissory Note, all commitments were terminated and all security interests granted by the Company were released.

The amounts borrowed were collateralized by the associated equipment and bear interest at 6.5%. The Promissory Note included financial covenants that required the Company to maintain a minimum cash balance of \$0.3 million. In addition, the Promissory Note contained a subjective acceleration clause whereby an event of default and immediate acceleration of the borrowing occurs if there was a material adverse change in the business, operations, or condition of the Company or a material impairment of the prospect of repayment of any portion of the obligations. In the event of default, the lender had first priority on the laboratory equipment and office equipment purchased with the proceeds.

Equipment Lease Credit Facility

In October 2015, we signed a \$10.0 million Equipment Lease Credit Facility, or the Credit Facility, with Essex Capital Corporation (the “Lessor”) to fund capital equipment needs. As one of the conditions of the Term Loan Agreement, the Credit Facility is capped at a maximum of \$5.0 million. Under the Credit Facility, Essex will fund capital equipment purchases presented by us. We will repay the amounts borrowed in 36 equal monthly installments from the date of the amount funded. At the end of the 36 month lease term, we have the option to (a) repurchase the leased equipment at the lesser of fair market value or 10% of the original equipment value, (b) extend the applicable lease for a specified period of time, which will not be less than one year, or (c) return the leased equipment to the Lessor.

In April 2016 and June 2016, we completed the first two draws under the Credit Facility, of \$2.1 million and \$2.5 million, respectively. We will make monthly payments of \$67,000 under the first draw and \$79,000 under the second draw. The borrowings under the Credit Facility are treated as capital leases. The amortization of the assets conveyed under the Credit Facility is included as a component of depreciation expense.

Contractual Obligations and Commitments

There were no 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, 2016. During the quarter ended September 30, 2017 we entered into a new Lease Indenture Agreement (the “Lease”) relating to office space we currently lease at 91 Hartwell Ave, Lexington, MA, pursuant to which we reduced the square footage of leased space from 13,233 square feet to 10,900 square feet. Under the terms of the Lease, beginning on January 1, 2018 and ending on December 31, 2021, the Company is obligated to pay the landlord monthly rent of \$29,066.

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

We are exposed to market risk related to changes in interest rates. As of September 30, 2017 and December 31, 2016, we had cash and cash equivalents of \$52.9 million and \$73.5 million, respectively, held primarily in money market funds consisting of U.S. government agency securities. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments are in short-term securities. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate one percent change in interest rates would not have a material effect on the fair market value of our portfolio. As of September 30, 2017 and December 31, 2016, we had no outstanding debt exposed to variable market interest rates.

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, 2017. 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 upon this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of September 30, 2017.

(b) Changes in Internal Control over Financial Reporting

There have been no material changes to the Company’s internal control over financial reporting during the most recent fiscal quarter 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, 2016, which could materially affect our business, financial condition or future results. 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, 2016.

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	<u>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)</u>
3.2	<u>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)</u>
10.1	<u>Lease Indenture Agreement, dated September 21, 2017, between 91 Hartwell Ave. Trust and the Company, relating to office space located for property at 91 Harwell Avenue, Lexington, MA, Massachusetts</u>
31.1*	<u>Certification of principle 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</u>
31.2*	<u>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</u>
32.1**	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2**	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.1*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL: (i) Condensed Consolidated Balance Sheets (unaudited), (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited), (iii) Condensed Consolidated Statements of Cash Flows (unaudited), and (v) Notes of Condensed Consolidated Financial Statements.

* Filed herewith

** Furnished herewith

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 3, 2017

By: /s/ JOHN MCDONOUGH
John McDonough
President, Chief Executive Officer and Director
(principal executive officer)

Date: November 3, 2017

By: /s/ DARLENE DEPTULA-HICKS
Darlene Deptula-Hicks
SVP and Chief Financial Officer
(principal financial officer)

91 HARTWELL AVENUE
 LEXINGTON, MASSACHUSETTS

Lease Dated September 21, 2017

THIS INSTRUMENT IS AN INDENTURE OF LEASE in which the Landlord and the Tenant are the parties hereinafter named, and which relates to space in a certain building (the "Building") known as, and with an address at, 91 Hartwell Avenue, Lexington, Massachusetts 02421.

The parties to this Indenture of Lease hereby agree with each other as follows:

ARTICLE I

Reference Data

1.1 Subjects Referred To

Each reference in this Lease to any of the following subjects shall be construed to incorporate the data stated for that subject in this Article:

Landlord:	91 HARTWELL AVENUE TRUST under Declaration of Trust dated September 28, 1981, as the same may have been amended, but not individually.
Landlord's Original Address:	c/o Boston Properties Limited Partnership Prudential Center 800 Boylston Street, Suite 1900 Boston, Massachusetts 02199-8103
Landlord's Construction Representative:	Ken Chianca
Tenant:	T2 BIOSYSTEMS, INC., a Delaware corporation.
Tenant's Original Address:	101 Hartwell Avenue Lexington, Massachusetts 02142
Tenant's Email Address for Information Regarding Billings and Statements:	accountspayable@t2biosystems.com
Tenant's Construction Representative:	John McDonough

Commencement Date: January 1, 2018

Term or Lease Term (sometimes called the "Original Term"): The period commencing on the Commencement Date and ending on December 31, 2021, unless sooner terminated as provided in this Lease.

The Site: That certain parcel of land known as and numbered 91 Hartwell Avenue, Lexington, Middlesex County, Massachusetts, being more particularly described in Exhibit A attached hereto.

The Building: The Building known as and numbered 91 Hartwell Avenue, Lexington, Massachusetts.

The Complex: The Building together with all common areas, surface parking areas, the Site and all improvements (including landscaping) thereon and thereto.

Tenant's Premises: A portion of the first (1st) floor of the Building in accordance with the floor plan annexed hereto as Exhibit D and incorporated herein by reference.

Number of Parking Spaces: Thirty-eight (38) spaces.

Annual Fixed Rent: At the annual rate of \$348,800.00 (being the product of (x) \$32.00 and (y) the Rentable Floor Area of the Premises (as defined below).

Operating Expenses: As provided in Section 2.6 hereof.

Real Estate Taxes: As provided in Section 2.7 hereof.

Tenant Electricity: Initially as provided in Section 2.5 subject to adjustment as provided in Section 2.8 hereof.

Additional Rent: All charges and other sums payable by Tenant as set forth in this Lease, in addition to Annual Fixed Rent.

Rentable Floor Area of the Premises: 10,900 square feet.

Total Rentable Floor Area of the Building: 122,328 square feet.

Permitted Use: General office purposes.

Broker(s): Cushman & Wakefield
Security Deposit: \$50,000.00, which has previously been delivered to Landlord in accordance with Section 9.18 of this Lease.

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1.3 Exhibits

There are incorporated as part of this Lease:

Exhibit A	--	Description of Site
Exhibit B	--	Work Agreement
Exhibit C	--	Landlord's Services
Exhibit D	--	Floor Plan
Exhibit E	--	Form of Certificate of Insurance

ARTICLE II

Building, Premises, Term and Rent

2.1 The Premises

Landlord hereby demises and leases to Tenant, and Tenant hereby hires and accepts from Landlord, Tenant's Premises in the Building excluding exterior faces of exterior walls, the common stairways and stairwells, elevators and elevator wells, fan rooms, electric and telephone closets, janitor closets, and pipes, ducts, conduits, wires and appurtenant fixtures serving exclusively, or in common, other parts of the Building, and if Tenant's Premises includes less than the entire rentable area of any floor, excluding the common corridors, elevator lobbies and toilets located on such floor.

Tenant's Premises with such exclusions is hereinafter referred to as the "Premises." The term "Building" means the Building identified on the first page, and which is the subject of this Lease; the term "Site" means all, and also any part of the Land described in Exhibit A, plus any additions or reductions thereto resulting from the change of any abutting street line and all parking areas and structures. The term "Property" means the Building and the Site.

It is acknowledged and agreed that as of the date hereof, Tenant is currently in possession of the Premises (as well as certain additional space in the Building) pursuant to the terms and provisions of a certain License Agreement dated as of October 31, 2014 (as amended, the "License Agreement") by and between Landlord as licensor and Tenant as licensee. The License Agreement shall expire by its terms on the day immediately preceding the Commencement Date, at which point Tenant will surrender those portions of the licensed premises that are not included within the Premises demised hereunder and deliver the same to Landlord as licensor in the condition required by the License Agreement.

2.2 Rights to Use Common Facilities

Subject to Landlord's right to change or alter any of the following in Landlord's discretion as herein provided, Tenant shall have, as appurtenant to the Premises, the non-exclusive right to use in common with others, subject to reasonable rules of general applicability to tenants of the Building from time to time made by Landlord of which Tenant is given notice (a) the common lobbies, corridors, stairways, elevators and loading area of the Building, and the pipes, ducts, conduits, wires and appurtenant meters and equipment serving the Premises in common with others, (b) common walkways and driveways necessary for access to the Building, and (c) if the Premises include less than the entire rentable floor area of any floor, the common toilets, corridors and elevator lobby of such floor. Notwithstanding anything to the contrary herein, Landlord has no obligation to allow any particular telecommunication service provider to have access to the Building or to the Premises except as may be required by applicable law. If Landlord permits such access, Landlord may condition such access upon the payment to Landlord by the service provider of reasonable fees assessed by Landlord in its reasonable discretion.

2.2.1 Tenant's Parking

In addition, Tenant shall have the right, at no additional cost to Tenant throughout the Term, to use the Number of Parking Spaces (referred to in Section 1.1) of the parking area, in common with use by other tenants from time to time of the Complex; provided, however, Landlord shall not be obligated to furnish stalls or spaces in any parking area specifically designated for Tenant's use. In the event that the Rentable Floor Area of the Premises decreases or increases at any time during the Lease Term, the Number of Parking Spaces provided to Tenant hereunder shall be reduced or increased proportionately. Tenant covenants and agrees that it and all persons claiming by, through and under it, shall at all times abide by all reasonable rules and regulations promulgated by Landlord with respect to the use of the parking areas on the Site. The parking privileges granted herein are non-transferable except to a permitted assignee or subtenant as provided in Section 5.6. Further, Landlord assumes no responsibility whatsoever for loss or damage due to fire, theft or otherwise to any automobile(s) parked on the Site or to any personal property therein, however caused, and Tenant covenants and agrees, upon request from Landlord from time to time, to notify its officers, employees, agents and invitees of such limitation of liability. Tenant acknowledges and agrees that a license only is hereby granted, and no bailment is intended or shall be created.

2.3 Landlord's Reservations

Landlord reserves the right from time to time, upon reasonable prior notice except in the event of an emergency, without unreasonable interference with Tenant's use: (a) to install, use, maintain, repair, replace and relocate for service to the Premises and other parts of the Building, or either, pipes, ducts, conduits, wires and appurtenant fixtures, wherever located in the Premises or Building, and (b) to alter or relocate any other common facility, provided that substitutions are substantially equivalent or better. Installations, replacements and relocations referred to in clause (a) above shall be located so far as practicable in the central core area of the Building, above ceiling surfaces, below floor surfaces or within perimeter walls of the Premises.

2.4 Habendum

Tenant shall have and hold the Premises for a period commencing on the Commencement Date and continuing for the Term unless sooner terminated as provided in Article VI or Article VII.

2.5 Fixed Rent Payments

Tenant agrees to pay to Landlord, (a) on the Commencement Date (defined in Section 1.1 hereof) and thereafter monthly, in advance, on the first day of each and every calendar month during the Original Term, a sum equal to one twelfth (1/12th) of the Annual Fixed Rent (sometimes hereinafter referred to as “fixed rent”) and (b) on the Commencement Date and thereafter monthly, in advance, on the first day of each and every calendar month during the Original Term, an amount estimated by Landlord from time to time to cover Tenant’s monthly payments for electricity under Section 2.8 herein below. Until notice of some other designation is given, fixed rent and all other charges for which provision is herein made shall be paid by remittance to or for the order of Boston Properties Limited Partnership, as agent of Landlord, either (i) by ACH transfer to Bank of America in Dallas, Texas, Bank Routing Number 111 000 012 or (ii) by mail to P.O. Box 3557, Boston, Massachusetts 02241-3557, and in the case of (i) referencing Account Number 3756454460, Account Name of Boston Properties, LP, Tenant’s name and the Property address. All remittances received by Boston Properties Limited Partnership, as agent as aforesaid, or by any subsequently designated recipient, shall be treated as payment to Landlord.

Annual Fixed Rent for any partial month shall be paid by Tenant to Landlord at such rate on a pro rata basis, based on a 365-day year. Additional Rent payable by Tenant on a monthly basis, as hereinafter provided, likewise shall be prorated; and other provisions of this Lease calling for monthly payments shall be read as incorporating this undertaking by Tenant.

The Annual Fixed Rent and all other charges for which provision is herein made shall be paid by Tenant to Landlord, without offset, deduction or abatement except as otherwise specifically set forth in this Lease.

2.6 Operating Expenses

“Landlord’s Operating Expenses” means the cost of operation of the Building and the Site, which shall include, without limitation, the following: premiums for insurance carried with respect to the Building and the Site (including, without limitation, liability insurance, insurance against loss in case of fire or casualty and insurance of monthly installments of fixed rent and any Additional Rent which may be due under this Lease and other leases of space in the Building for not more than 12 months in the case of both fixed rent and Additional Rent and if there be any first mortgage of the Property, including such insurance as may be required by the holder of such first mortgage); compensation and all fringe benefits, worker’s compensation insurance premiums and payroll taxes paid to, for or with respect to all persons engaged in the operating, maintaining or cleaning of the Building or Site, water, sewer, electric, gas, oil and telephone charges (excluding utility charges separately chargeable to tenants for additional or special services); cost of building and cleaning supplies and equipment; cost of maintenance, cleaning and repairs (other than repairs not properly chargeable against income or reimbursed from contractors under guarantees); cost of snow removal and care of landscaping; payments under

service contracts with independent contractors; management fees at reasonable rates for self managed buildings consistent with the type of occupancy and the service rendered, but not to exceed three percent (3%) of the Gross Receivable Revenues for the Building (which for the purposes hereof shall mean all annual fixed rent, Landlord's Operating Expenses and Landlord's Tax Expenses chargeable for the Building for the relevant year); costs of maintaining a regional property management office in connection with the operation, management and maintenance to the Building; all costs of applying and reporting for the Building or any part thereof to seek or maintain certification under the U.S. EPA's Energy Star® rating system, the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system or a similar system or standard; and all other reasonable and necessary expenses paid in connection with the operation, cleaning and maintenance of the Building and the Site and properly chargeable against income, provided, however, there shall be included (a) depreciation for capital expenditures made by Landlord during the Lease Term (i) to reduce Landlord's Operating Expenses if Landlord shall have reasonably determined that the annual reduction in Landlord's Operating Expenses shall exceed depreciation therefor or (ii) to comply with applicable laws, rules, regulations, requirements, statutes, ordinances, by-laws and court decisions of all public authorities which are now or hereafter in force (the capital expenditures described in subsections (i) and (ii) being hereinafter referred to as "Permitted Capital Expenditures"); plus (b) in the case of both (i) and (ii) an interest factor, reasonably determined by Landlord, as being the interest rate then charged for long term mortgages by institutional lenders on like properties within the locality in which the Building is located; depreciation in the case of both (i) and (ii) shall be determined by dividing the original cost of such capital expenditure by the number of years of useful life of the capital item acquired and the useful life shall be reasonably determined by Landlord in accordance with generally accepted accounting principles and practices in effect at the time of acquisition of the capital item; provided, however, if Landlord reasonably concludes on the basis of engineering estimates that a particular capital expenditure will effect savings in other Landlord's Operating Expenses, including, without limitation, energy related costs, and that such projected savings will, on an annual basis ("Projected Annual Savings"), exceed the annual depreciation therefor, then and in such event the amount of depreciation for such capital expenditure shall be increased to an amount equal to the Projected Annual Savings; and in such circumstance, the increased depreciation (in the amount of the Projected Annual Savings) shall be made for such period of time as it would take to fully amortize the cost of the item in question, together with interest thereon at the interest rate as aforesaid in equal monthly payments, each in the amount of 1/12th of the Projected Annual Savings, with such payment to be applied first to interest and the balance to principal.

"Operating Expenses Allocable to the Premises" shall mean the same proportion of Landlord's Operating Expenses for and pertaining to the Building and the Site as the Rentable Floor Area of the Premises bears to 100% of the Total Rentable Floor Area of the Building.

"Base Operating Expenses" shall mean Landlord's Operating Expenses for calendar year 2017 (that is, the period beginning January 1, 2017 and ending December 31, 2017). Base Operating Expenses shall not include (i) market-wide cost increases due to extraordinary circumstances, included but not limited to Force Majeure (as defined in Section 6.1), conservation surcharges, security concerns, boycotts, strikes, embargoes or shortages and (ii) the cost of any Permitted Capital Expenditures.

“Base Operating Expenses Allocable to the Premises” shall mean the same proportion of Base Operating Expenses as the Rentable Floor Area of the Premises bears to 100% of the Total Rentable Floor Area of the Building.

If with respect to any calendar year falling within the Term, or fraction of a calendar year falling within the Term at the beginning or end thereof, the Operating Expenses Allocable to the Premises for a full calendar year exceed Base Operating Expenses Allocable to the Premises or for any such fraction of a calendar year exceed the corresponding fraction of Base Operating Expenses Allocable to the Premises (such amount being hereinafter sometimes referred to as the “Operating Cost Excess”) then, Tenant shall pay to Landlord, as Additional Rent, the amount of such excess. Such payments shall be made at the times and in the manner hereinafter provided in this Section 2.6. (The Base Operating Expenses Allocable to the Premises do not include the tenant electricity to be paid by Tenant together with Annual Fixed Rent and for which provision is made in Section 2.5 hereof, separate provision being made in Section 2.8 of this Lease for Tenant’s share of increases in electricity costs.)

Not later than one hundred and twenty (120) days after the end of the first calendar year or fraction thereof ending December 31 and of each succeeding calendar year during the Term or fraction thereof at the end of the Term, Landlord shall render Tenant a statement in reasonable detail in accordance with generally accepted accounting principles, showing for the preceding calendar year or fraction thereof, as the case may be, Landlord’s Operating Expenses and Operating Expenses Allocable to the Premises (the “Year End Statement”). Said statement to be rendered to Tenant shall also show for the preceding year or fraction thereof as the case may be the amounts of operating expenses already paid by Tenant as Additional Rent on account of the operating expenses and the amount of the Operating Cost Excess remaining due from, or overpaid by, Tenant for the year or other period covered by the statement. Within thirty (30) days after the date of delivery of such statement, Tenant shall pay to Landlord the balance of the amounts, if any, required to be paid pursuant to the above provisions of this Section 2.6 with respect to the preceding year or fraction thereof, or Landlord shall credit any amounts overpaid by Tenant against (i) monthly installments of fixed rent next thereafter coming due or (ii) any sums then due from Tenant to Landlord under this Lease (or refund such portion of the overpayment as aforesaid if the Term has ended and Tenant has no further obligation to Landlord).

In addition, Tenant shall make payments monthly on account of Tenant’s share of increases in Landlord’s Operating Expenses anticipated for the then current year at the time and in the fashion herein provided for the payment of fixed rent. The amount to be paid to Landlord shall be an amount reasonably estimated annually by Landlord to be sufficient to cover, in the aggregate, a sum equal to the Operating Cost Excess for each calendar year during the Term.

Notwithstanding the foregoing, in determining the amount of Landlord’s Operating Expenses for any calendar year or portion thereof falling within the Lease Term, if less than one hundred percent (100%) of the Total Rentable Floor Area of the Building shall have been occupied by tenants at any time during the period in question, then, at Landlord’s election, those components of Landlord’s Operating Expenses that vary based on occupancy for such period shall be adjusted to equal the amount such components of Landlord’s Operating Expenses would have been for such period had occupancy been one hundred percent (100%) throughout such period.

2.6.1 Exclusions from Landlord's Operating Expenses

Notwithstanding the provisions of Section 2.6 above, the following costs and expenses shall be excluded from Landlord's Operating Expenses:

1. Real estate taxes and Landlord's Tax Expenses;
2. principal or interest on indebtedness, debt amortization or ground rent paid by Landlord in connection with any mortgages, deeds of trust or other financing encumbrances, or ground leases of the Building or the Site;
3. capital improvements to the Complex other than those provided in Section 2.6 above;
4. legal, auditing, consulting and professional fees and other costs paid or incurred in connection with financings, refinancings or sales of any interest in Landlord or of Landlord's interest in the Building or the Site or in connection with any ground lease (including, without limitation, recording costs, mortgage recording taxes, title insurance premiums and other similar costs, but excluding those legal, auditing, consulting and professional fees and other costs incurred in connection with the normal and routine maintenance and operation of the Building and/or the Site);
5. legal fees, space planner's fees, architect's fees, leasing and brokerage commissions, advertising and promotional expenditures and any other marketing expense incurred in connection with the leasing of space in the Building (including new leases, lease amendments, lease terminations and lease renewals);
6. the cost of any items to the extent to which such cost is reimbursed to Landlord by tenants of the Complex (other than as part of Landlord's Operating Expenses), or other third parties, or is covered by a warranty to the extent of reimbursement for such coverage;
7. expenditures for any leasehold improvement which is made in connection with the preparation of any portion of the Building for occupancy by any tenant or which is not made generally to or for the benefit of the Building or the Site;
8. the cost of performing work or furnishing service to or for any tenant other than Tenant, at Landlord's expense, to the extent such work or service is in excess of any work or service Landlord is obligated to provide to Tenant or generally to other tenants in the Building at Landlord's expense;
9. the cost of repairs or replacements incurred by reason of fire or other casualty, or condemnation (other than costs not in excess of the deductible on any insurance maintained by Landlord which provides a recovery for such repair or replacement), to the extent Landlord actually receives proceeds of property

and casualty insurance policies or condemnation awards or would have received such proceeds had Landlord maintained the insurance required to be maintained by Landlord under this Lease;

10. the cost of acquiring sculptures, paintings or other objects of fine art in the Building in excess of amounts typically spent for such items in Class A office buildings of comparable quality in the competitive area of the Building;
11. bad debt loss, rent loss, or reserves for bad debt or rent loss;
12. unfunded contributions to operating expense reserves by other tenants;
13. contributions to charitable or political organizations;
14. damage and repairs necessitated by the negligence or willful misconduct of Landlord Parties;
15. fees, costs and expenses incurred by Landlord in connection with or relating to claims against or disputes with tenants of the Building;
16. interest, fines or penalties for late payment or violations of Legal Requirements by Landlord, if any, except to the extent incurring such expense is caused by a corresponding late payment or violation of a Legal Requirement by Tenant, in which event Tenant shall be responsible for the full amount of such expense;
17. the cost of remediation and removal of "Hazardous Materials" (as that term is defined in Section 5.3 below in the Building or on the Site required by "Hazardous Materials Laws" (as that term is defined in Section 5.3 below), provided, however, that the provisions of this clause 17 shall not preclude the inclusion of costs with respect to materials (whether existing at the Property as of the date of this Lease or subsequently introduced to the Property) which are not as of the date of this Lease (or as of the date of introduction) deemed to be Hazardous Materials under applicable Hazardous Materials Laws but which are subsequently deemed to be Hazardous Materials under applicable Hazardous Materials Laws (it being understood and agreed that the foregoing shall not relieve Tenant from any liability it may have for costs of remediation and removal of Hazardous Materials to the extent caused by Tenant Parties);
18. costs of replacements, alterations or improvements necessary to make the Building or the Site comply with Legal Requirements in effect and applicable to the Building and/or the Site prior to the date of this Lease, except to the extent the need for such replacements, alterations or improvements is caused by Tenant Parties (in which case Tenant shall nonetheless be responsible for such costs in accordance with Section 5.12 of this Lease, provided, however, that the provisions of this clause 18 shall not preclude the inclusion of costs of compliance with Legal Requirements enacted prior to the date of this Lease if such compliance is required for the first time by reason of any amendment,

modification or reinterpretation of a Legal Requirement which is imposed after the date of this Lease;

19. costs for the original construction and development of the Building and nonrecurring costs for the repair or replacement of any structural portion of the Building made necessary as a result of defects in the original design, workmanship or materials;
20. costs and expenses incurred for the administration of the entity which constitutes Landlord, as the same are distinguished from the costs of operation, management, maintenance and repair of the Complex, including, without limitation, entity accounting and legal matters;
21. salaries and all other compensation (including fringe benefits) of partners, officers and executives above the grade of Regional Property Manager;
22. the wages and benefits of any employee who does not devote substantially all of his or her employed time to the Complex unless such wages and benefits are prorated on a reasonable basis to reflect time spent on the operation and management of the Complex vis-à-vis time spent on matters unrelated to the operation and management of the Complex;
23. except as may be otherwise expressly provided in this Lease with respect to specific items, the cost of any services or materials provided by any party related to Landlord, to the extent such cost exceeds, the reasonable cost for such services or materials absent such relationship in self-managed buildings similar to the Building in the vicinity of the Building; and
24. depreciation for the Building.

2.6.2 Tenant's Audit Right

Subject to the provisions of this Section 2.6.2 and provided that no Event of Default of Tenant exists, Tenant shall have the right to examine the correctness of the Year End Statement or any item contained therein:

1. Any request for examination in respect of any "Operating Year" (as defined hereinbelow) may be made by notice from Tenant to Landlord no more than sixty (60) days after the date Landlord provides Tenant a Year End Statement in respect of such Operating Year and only if Tenant shall have fully paid such amount. Such notice shall set forth in reasonable detail the matters questioned. Any examination must be completed and the results communicated to Landlord no more than one hundred eighty (180) days after the date on which Landlord provides the Year End Statement. "Operating Year" shall mean a period of twelve (12) consecutive calendar months, commencing on the first day of January in each year, except that the first Lease Year of the Lease Term hereof shall be the period commencing on the Commencement Date and ending on the succeeding December 31, and the last Lease Year of the Lease Term hereof shall be the

period commencing on January 1 of the calendar year in which the Lease Term ends, and ending with the date on which the Lease Term ends.

2. Tenant hereby acknowledges and agrees that Tenant's sole right to contest the Year End Statement shall be as expressly set forth in this Section 2.6.2. Tenant hereby waives any and all other rights provided pursuant to applicable laws to inspect Landlord's books and records and/or to contest the Year End Statement. If Tenant shall fail to timely exercise Tenant's right to inspect Landlord's books and records as provided in this Section 2.6.2, or if Tenant shall fail to timely communicate to Landlord the results of Tenant's examination as provided in this Section 2.6.1, the Year End Statement for the applicable Operating Year shall be conclusive and binding on Tenant.
3. So much of Landlord's books and records pertaining Landlord's Operating Expenses for the specific matters questioned by Tenant for the Operating Year included in the Year End Statement shall be made available to Tenant promptly after Landlord timely receives the notice from Tenant to make such examination pursuant to this Section 2.6.2, either electronically or during normal business hours at the offices where Landlord keeps such books and records or at another location, as determined by Landlord.
4. Tenant shall have the right to make such examination no more than once in respect of any Operating Year in which Landlord has given Tenant a Year End Statement.
5. Such examination may be made only by a qualified employee of Tenant or a qualified independent certified public accounting firm approved by Landlord. No examination shall be conducted by an examiner who is to be compensated, in whole or in part, on a contingent fee basis.
6. As a condition to performing any such examination, Tenant and its examiners shall be required to execute and deliver to Landlord an agreement, in form acceptable to Landlord, agreeing to keep confidential any information which it discovers about Landlord or the Building in connection with such examination.
7. No subtenant shall have any right to conduct any such examination and no assignee may conduct any such examination with respect to any period during which the assignee was not in possession of the Premises.
8. All costs and expenses of any such examination shall be paid by Tenant, except if such examination shows that the amount of Landlord's Operating Expenses payable by Tenant was overstated by more than five percent (5%), Landlord shall reimburse Tenant for the reasonable out-of-pocket costs and expenses incurred by Tenant in such examination, up to a maximum of the lesser of (i) Five Thousand and 00/100 Dollars and (ii) the amount of the overstatement of the Landlord's Operating Expenses payable by Tenant.

9. If as a result of such examination Landlord and Tenant agree that the amounts paid by Tenant to Landlord on account of Landlord's Operating Expenses exceeded the amounts to which Landlord was entitled hereunder, or that Tenant is entitled to a credit with respect to Landlord's Operating Expenses, Landlord, at its option, shall refund to Tenant the amount of such excess or apply the amount of such credit, as the case may be, within thirty (30) days after the date of such agreement. Similarly, if Landlord and Tenant agree that the amounts paid by Tenant to Landlord on account of Landlord's Operating Expenses were less than the amounts to which Landlord was entitled hereunder, then Tenant shall pay to Landlord, as additional rent hereunder, the amount of such deficiency within thirty (30) days after the date of such agreement.

2.7 Real Estate Taxes

If with respect to any full Tax Year or fraction of a Tax Year falling within the Term, Landlord's Tax Expenses Allocable to the Premises (as hereinafter defined) for a full Tax Year exceed Base Taxes Allocable to the Premises or for any such fraction of a Tax Year exceed the corresponding fraction of Base Taxes Allocable to the Premises (such amount being hereinafter sometimes referred to as the "Tax Excess") then, on or before the thirtieth (30th) day following receipt by Tenant of the certified statement referred to below in this Section 2.7, then Tenant shall pay to Landlord, as Additional Rent, the amount of the Tax Excess. Not later than ninety (90) days after Landlord's Tax Expenses Allocable to the Premises are determined for the first such Tax Year or fraction thereof and for each succeeding Tax Year or fraction thereof during the Term, Landlord shall render Tenant a statement in reasonable detail certified by a representative of Landlord showing for the preceding year or fraction thereof, as the case may be, real estate taxes on the Building and the Site and abatements and refunds of any taxes and assessments. Expenditures for legal fees and for other expenses incurred in seeking the tax refund or abatement may be charged against the tax refund or abatement before the adjustments are made for the Tax Year. Only Landlord shall have the right to institute tax reduction or other proceedings to reduce real estate taxes or the valuation of the Building and the Site.

Said statement to be rendered to Tenant shall also show for the preceding Tax Year or fraction thereof as the case may be the amounts of real estate taxes already paid by Tenant as Additional Rent, and the amount of real estate taxes remaining due from, or overpaid by, Tenant for the year or other period covered by the statement. Within thirty (30) days after the date of delivery of the foregoing statement, Tenant shall pay to Landlord the balance of the amounts, if any, required to be paid pursuant to the above provisions of this Section 2.7 with respect to the preceding Tax Year or fraction thereof, or Landlord shall credit any amounts due from it to Tenant pursuant to the provisions of this Section 2.7 against (i) monthly installments of fixed rent next thereafter coming due or (ii) any sums then due from Tenant to Landlord under this Lease (or refund such portion of the over-payment as aforesaid if the Term has ended and Tenant has no further obligation to Landlord).

In addition, payments by Tenant on account of increases in real estate taxes anticipated for the then current year shall be made monthly at the time and in the fashion herein provided for the payment of fixed rent. The amount so to be paid to Landlord shall be an amount reasonably estimated by Landlord to be sufficient to provide Landlord, in the aggregate, a sum equal to

Tenant's share of such increases, at least ten (10) days before the day on which such payments by Landlord would become delinquent.

To the extent that real estate taxes shall be payable to the taxing authority in installments with respect to periods less than a Tax Year, the foregoing statement shall be rendered and payments made on account of such installments.

Terms used herein are defined as follows:

- (i) "Tax Year" means the twelve-month period beginning July 1 each year during the Term or if the appropriate governmental tax fiscal period shall begin on any date other than July 1, such other date.
- (ii) "Landlord's Tax Expenses Allocable to the Premises" shall mean the same proportion of Landlord's Tax Expenses for and pertaining to the Building and the Site as the Rentable Floor Area of the Premises bears to 100% of the Total Rentable Floor Area of the Building.
- (iii) "Landlord's Tax Expenses" with respect to any Tax Year means the aggregate real estate taxes on the Building and Site with respect to that Tax Year, reduced by any abatement receipts with respect to that Tax Year.
- (iv) "Base Taxes" means Landlord's Tax Expenses (hereinbefore defined) for fiscal tax year 2018 (that is, the period beginning July 1, 2017 and ending June 30, 2018).
- (v) "Base Taxes Allocable to the Premises" means the same proportion of Base Taxes as the Rentable Floor Area of the Premises bears to 100% of the Total Rentable Floor Area of the Building.
- (vi) "Real estate taxes" means all taxes and special assessments of every kind and nature and user fees and other like fees assessed by any governmental authority (including, but not limited to, any tax, assessment or charge resulting from the creation of a special improvement district) on the Building or Site which the Landlord shall become obligated to pay because of or in connection with the ownership, leasing or operation of the Site, the Building and the Property (including, without limitation, if applicable the excise prescribed by Mass Gen Laws Chapter 121A, Section 10 and amounts in excess thereof paid to the Town of Lexington pursuant to agreement between Landlord and the Town) and reasonable expenses of and fees for any formal or informal proceedings for negotiation or abatement of taxes (collectively, "Abatement Expenses"), which Abatement Expenses shall be excluded from Base Taxes. The amount of special taxes or special assessments to be included shall be limited to the amount of the installment (plus any interest, other than penalty interest, payable thereon) of such special tax or special assessment required to be paid during the year in respect of which such taxes are being determined. There shall be excluded from such taxes all income, estate, succession, inheritance and transfer taxes; provided, however, that if at any time during the Term the present system of ad valorem taxation of

real property shall be changed so that in lieu of, or in addition to, the whole or any part of the ad valorem tax on real property there shall be assessed on Landlord a capital levy or other tax on the gross rents received with respect to the Site or Building or Property, federal, state, county, municipal, or other local income, franchise, excise or similar tax, assessment, levy or charge (distinct from any now in effect in the jurisdiction in which the Property is located) measured by or based, in whole or in part, upon any such gross rents, then any and all of such taxes, assessments, levies or charges, to the extent so measured or based, shall be deemed to be included within the term "real estate taxes" but only to the extent that the same would be payable if the Site and Building were the only property of Landlord.

- (vii) If during the Lease Term the Tax Year is changed by applicable law to less than a full 12-month period, the Base Taxes and Base Taxes Allocable to the Premises shall each be proportionately reduced.

2.8 Tenant Electricity

If with respect to any calendar year falling within the Term or fraction of a calendar year falling within the Term at the beginning or end thereof, the cost of furnishing electricity to the Building and the Site, including common areas and facilities and space occupied by tenants, (but expressly excluding utility charges separately chargeable to tenants for additional or special services) for a full calendar year exceeds the estimated payments for tenant electricity (payable pursuant to Section 2.5 hereof), or for any such fraction of a calendar year exceeds the corresponding fraction of such estimated payments, then Tenant shall pay to Landlord, as Additional Rent, on or before the thirtieth (30th) day following receipt by Tenant of the statement referred to below in this Section 2.8, its proportionate share of the amount of such excess (i.e. the same proportion of such excess as the Rentable Floor Area of the Premises bears to the total rentable floor area of the Building from time to time under lease to tenants). Payments by Tenant on account of such excess shall be made monthly at the time and in the fashion herein provided for the payment of Annual Fixed Rent. If the Landlord shall reasonably determine that the cost of electricity furnished to the Tenant at the Premises exceeds the amount being paid under Sections 2.5 and 2.8, then the Landlord may charge the Tenant for such excess and the Tenant shall promptly pay the same upon billing therefor. Also, in the event that there is located in the Premises a data center containing high density computing equipment, as defined in the U.S. EPA's Energy Star[®] rating system ("Energy Star"), Landlord may, at any time during the Term, require the installation in accordance with Energy Star of separate metering or check metering equipment (Tenant being responsible for the costs of any such meter or check meter and the installation and connectivity thereof). Tenant shall directly pay to the utility all electric consumption on any meter and shall pay to Landlord, as Additional Rent, all electric consumption on any check meter within thirty (30) days after being billed thereof by Landlord, in addition to other electric charges payable by Tenant under this Lease.

Not later than ninety (90) days after the end of the first calendar year or fraction thereof ending December 31 and of each succeeding calendar year during the Term or fraction thereof at the end of the Term, Landlord shall render Tenant a reasonably detailed accounting certified by a representative of Landlord showing for the preceding calendar year, or fraction thereof, as the case may be, the costs of furnishing electricity to the Building. Said statement to be rendered to

Tenant also shall show for the preceding year or fraction thereof, as the case may be, the amount already paid by Tenant on account of electricity, and the amount remaining due from, or overpaid by, Tenant for the year or other period covered by the statement. Within thirty (30) days after the date of the delivery of such statement, Tenant shall pay to Landlord the balance of the amounts, if any required to be paid pursuant to the above provisions of this Section 2.8 with respect to the preceding year, or fraction thereof, or Landlord shall credit any amounts due from it to Tenant pursuant to the above provisions of this Section 2.8 against monthly installments of Annual Fixed Rent or Additional Rent next thereafter coming due unless the Lease Term has expired and Tenant has no other or further obligations to Landlord, in which case Landlord shall promptly refund such amount to Tenant.

ARTICLE III

Condition of Premises; Alterations

3.1 Preparation of Premises

The condition of the Premises upon Landlord's delivery along with any work to be performed by either Landlord or Tenant shall be as set forth in the Work Agreement attached hereto as Exhibit B and made a part hereof.

ARTICLE IV

Landlord's Covenants; Interruptions and Delays

4.1 Landlord Covenants.

Landlord covenants to and agrees to the following during the Term.

4.1.1 Services Furnished by Landlord

To furnish services, utilities, facilities and supplies set forth in Exhibit C equal to those customarily provided by landlords in high quality buildings in the Boston West Suburban Market subject to escalation reimbursement in accordance with Section 2.6 (except as may otherwise be expressly provided in said Exhibit C).

4.1.2 Additional Services Available to Tenant

To furnish, at Tenant's expense, reasonable additional Building operation services which are usual and customary in similar office buildings in the Boston West Suburban Market upon reasonable advance request of Tenant at reasonable and equitable rates from time to time established by Landlord. Tenant agrees to pay to Landlord, as Additional Rent, the cost of any such additional Building services requested by Tenant and for the cost of any additions, alterations, improvements or other work performed by Landlord in the Premises at the request of Tenant within thirty (30) days after being billed therefor.

4.1.3 Roof, Exterior Wall, Floor Slab and Common Facility Repairs

Except for (a) normal and reasonable wear and use and (b) damage caused by fire and casualty and by eminent domain, and except as otherwise provided in Article VI and subject to the escalation provisions of Section 2.6, (i) to make such repairs to all structural components of the Building including the roof, exterior walls and floor slabs; base Building systems, and common areas and facilities as may be necessary to keep them in good, first class condition comparable to the maintenance of similar properties in the Boston West Suburban Market and (ii) to maintain the Building (exclusive of Tenant's responsibilities under this Lease) in a first class manner comparable to the maintenance of similar properties in the Boston West Suburban Market.

4.1.4 Door Signs

To provide and install, at Landlord's expense, letters or numerals on the exterior doors to the Premises to identify Tenant's official name and Building address; all such letters and numerals shall be in the building standard graphics and no others shall be used or permitted on the Premises.

4.2 Interruptions and Delays in Services and Repairs, Etc.

(A) Except to the extent caused by Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for any compensation or reduction of rent by reason of inconvenience or annoyance or for loss of business arising from the necessity of Landlord or its agents entering the Premises for any of the purposes in this Lease authorized, or for repairing the Premises or any portion of the Building. In case Landlord is prevented or delayed from making any repairs, alterations or improvements, or furnishing any services or performing any other covenant or duty to be performed on Landlord's part, by reason of any cause reasonably beyond Landlord's control, including without limitation by reason of Force Majeure (as defined in Section 6.1 hereof), Landlord shall not be liable to Tenant therefor, nor, except as expressly otherwise provided in this Section 4.2 Article VI, shall Tenant be entitled to any abatement or reduction of rent by reason thereof, or right to terminate this Lease, nor shall the same give rise to a claim in Tenant's favor that such failure constitutes actual or constructive, total or partial, eviction from the Premises.

(B) Landlord reserves the right to stop any service or utility system, when necessary by reason of accident or emergency, or until necessary repairs have been completed; provided, however, that in each instance of stoppage, Landlord shall exercise reasonable diligence to eliminate the cause thereof. Except in case of emergency repairs, Landlord will give Tenant reasonable advance notice of any contemplated stoppage and will use reasonable efforts to avoid unnecessary inconvenience to Tenant by reason thereof.

(C) Notwithstanding anything to the contrary in this Lease contained, if the Premises or a portion thereof are substantially untenable 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 if Tenant ceases to use the affected portion of the Premises (the "Affected Portion") during the period of untenability then, provided that such untenability and Landlord's inability to cure such condition is not caused by the fault or neglect of any of the Tenant Parties, Annual Fixed Rent, Operating

Expenses Allocable to the Premises, and Landlord's Tax Expenses Allocable to the Premises shall thereafter be abated in proportion to such untenantability 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 untenantability in the Affected Portion. The provisions of this Section 4.2 shall not apply in the event of untenantability caused by fire or other casualty, or Taking (hereinafter defined), which shall be governed by Article VI below, or in the event of untenantability caused by causes beyond Landlord's control or, so long as such untenantability was not caused by the negligence or willful misconduct of any of the Landlord Parties, if Landlord is unable to cure such condition as the result of causes beyond Landlord's control.

ARTICLE V

Tenant's Covenants

Tenant covenants and agrees to the following during the Term and such further time as Tenant occupies any part of the Premises:

5.1 Payments

To pay when due all fixed rent and Additional Rent and all charges for utility services rendered to the Premises (except as otherwise provided in Exhibit C) and, further, as Additional Rent, all charges for additional services rendered pursuant to Section 4.1.2. In the event Tenant pays any utilities for the Premises directly to the utility company or provider, Tenant shall, at Tenant's option, either (a) grant Landlord access to Tenant's account with such utility company or provider or (b) provide copies of the utility bills relating to the Premises to Landlord so that Landlord can review the utility bills relating to the Premises.

5.2 Repair and Yield Up

Except as otherwise provided in Article VI and Section 4.1.3, to keep the Premises in good order, repair and condition, reasonable wear and tear only excepted, and all glass in windows (except glass in exterior walls unless the damage thereto is attributable to Tenant's negligence or misuse) and doors of the Premises whole and in good condition with glass of the same type and quality as that injured or broken, damage by fire or taking under the power of eminent domain only excepted, and at the expiration or termination of this Lease peaceably to yield up the Premises all construction, work, improvements, and all alterations and additions thereto in good order, repair and condition, reasonable wear and tear only excepted, first removing all goods and effects of Tenant and, to the extent specified by Landlord by notice to Tenant given at the time of installation, the wiring for Tenant's computer, telephone and other communication systems and equipment whether located in the Premises or in any other portion of the Building, including all risers and all alterations and additions made by Tenant and all partitions, and repairing any damage caused by such removal and restoring the Premises and leaving them clean and neat. Tenant shall not permit or commit any waste, and Tenant shall be responsible for the cost of repairs which may be made necessary by reason of damage to common areas in the Building or to the Site caused by Tenant, Tenant's agents, contractors, employees, sublessees, licensees, concessionaires or invitees.

5.3 Use

From the commencement of the Term, to use and occupy the Premises for the Permitted Use only, and not to injure or deface the Premises, Building, the Site or any other part of the Complex nor to permit in the Premises or on the Site any auction sale, vending machine, or inflammable fluids or chemicals (other than cleaning solvents and other similar chemicals used in a typical office), or nuisance, or the emission from the Premises of any objectionable noise or odor, nor to permit in the Premises anything which will in any way result in the leakage of fluid or the growth of mold, and not to use or devote the Premises or any part thereof for any purpose other than the Permitted Uses, nor for any use thereof which is inconsistent with maintaining the Building as a first class office building in the quality of its maintenance, use and occupancy, or which is improper, offensive, contrary to law or ordinance or liable to render necessary any alteration or addition to the Building. Further, (i) Tenant shall not, nor shall Tenant permit its employees, invitees, agents, independent contractors, contractors, assignees or subtenants to, keep, maintain, store or dispose of (into the sewage or waste disposal system or otherwise) or engage in any activity which might produce or generate any substance which is or may hereafter be classified as a hazardous material, waste or substance (collectively "Hazardous Materials"), under federal, state or local laws, rules and regulations, including, without limitation, 42 U.S.C. Section 6901 et seq., 42 U.S.C. Section 9601 et seq., 42 U.S.C. Section 2601 et seq., 49 U.S.C. Section 1802 et seq. and Massachusetts General Laws, Chapter 21E and the rules and regulations promulgated under any of the foregoing, as such laws, rules and regulations may be amended from time to time (collectively "Hazardous Materials Laws"), (ii) Tenant shall immediately notify Landlord of any incident in, on or about the Premises, the Building or the Site that would require the filing of a notice under any Hazardous Materials Laws, (iii) Tenant shall comply and shall cause its employees, invitees, agents, independent contractors, contractors, assignees and subtenants to comply with each of the foregoing and (iv) Landlord shall have the right to make such inspections (including testing) as Landlord shall elect from time to time upon reasonable prior notice and during normal working hours (except in the event of an emergency) to determine that Tenant is complying with the foregoing.

5.4 Obstructions; Items Visible from Exterior; Rules and Regulations

Not to obstruct in any manner any portion of the Building not hereby leased or any portion thereof or of the Site used by Tenant in common with others; not without prior consent of Landlord to permit the painting or placing of any signs, curtains, blinds, shades, awnings, aerials or flagpoles, or the like, visible from outside the Premises; and to comply with all reasonable rules and regulations or the requirements of any customer handbook currently in existence or hereafter implemented, of which Tenant has been given notice, for the care and use of the Building and Site and their facilities and approaches; Landlord shall not be liable to Tenant for the failure of other occupants of the Building to conform to such rules and regulations. If and to the extent there is any conflict between the provisions of this Lease and any rules and regulations or customer handbook for the Building, the provisions of this Lease shall control.

5.5 Safety Appliances

To keep the Premises equipped with all safety appliances required by any public authority because of any use made by Tenant other than normal office use, and to procure all licenses and

permits so required because of such use and, if requested by Landlord, to do any work so required because of such use, it being understood that the foregoing provisions shall not be construed to broaden in any way Tenant's Permitted Use.

5.6 Assignment; Sublease

Except as otherwise expressly provided herein, Tenant covenants and agrees that it shall not assign, mortgage, pledge, hypothecate or otherwise transfer this Lease and/or Tenant's interest in this Lease or sublet (which term, without limitation, shall include granting of concessions, licenses or the like) the whole or any part of the Premises. Any assignment, mortgage, pledge, hypothecation, transfer or subletting not expressly permitted in or consented to by Landlord under this Section 5.6 shall, at Landlord's election, be void; shall be of no force and effect; and shall confer no rights on or in favor of third parties. In addition, Landlord shall be entitled to seek specific performance of or other equitable relief with respect to the provisions hereof. The limitations of this Section 5.6 shall be deemed to apply to any guarantor(s) of this Lease.

- 5.6.1 Notwithstanding the provisions of Section 5.6 above, in the event Tenant desires to assign this Lease or to sublet all or any portion of the Premises, Tenant shall give Landlord notice (the "Proposed Transfer Notice") of any proposed sublease or assignment, and said notice shall specify the provisions of the proposed assignment or subletting, including (a) the name and address of the proposed assignee or subtenant, (b) in the case of a proposed assignment or subletting pursuant to Section 5.6.3 below, such information as to the proposed assignee's or proposed subtenant's net worth and financial capability and standing as may reasonably be required for Landlord to make the determination referred to in said Section 5.6.3 (provided, however, that Landlord shall hold such information confidential having the right to release same to its officers, accountants, attorneys and mortgage lenders on a confidential basis), (c) all of the terms and provisions upon which the proposed assignment or subletting is to be made, (d) in the case of a proposed assignment or subletting pursuant to Section 5.6.3 below, all other information reasonably necessary to make the determination referred to in said Section 5.6.3 and (e) in the case of a proposed assignment or subletting pursuant to Section 5.6.4 below, such information as may be reasonably required by Landlord to determine that such proposed assignment or subletting complies with the requirements of said Section 5.6.4.
- 5.6.2 In the event of a proposed assignment of this Lease or sublease of the entirety of the Premises for all or substantially all of the then-remaining Term, Landlord shall have the right at its sole option, to be exercised within thirty (30) days after receipt of a Proposed Transfer Notice meeting the requirements of Section 5.6.1 above (the "Review Period"), to terminate this Lease as of a date specified in a notice to Tenant, which date shall not be earlier than sixty (60) days nor later than one hundred and twenty (120) days after Landlord's notice to Tenant; provided, however, that upon the termination date as set forth in Landlord's notice, all obligations relating to the period after such termination date (but not those relating to the period before such termination date) shall cease and promptly upon being billed therefor by Landlord, Tenant shall make final payment of all Annual Fixed Rent and Additional Rent due from Tenant through the termination date. In the event that Landlord shall not exercise its termination rights as aforesaid, or shall fail to give any or timely notice pursuant to this Section the provisions of Sections 5.6.3,

5.6.5 and 5.6.6 shall be applicable. This Section 5.6.2 shall not be applicable to an assignment or sublease pursuant to Section 5.6.4 or to any partial sublease of the Premises.

5.6.3 Notwithstanding the provisions of Section 5.6 above, but subject to the provisions of this Section 5.6.3 and the provisions of Sections 5.6.5 and 5.6.6 below, in the event that Landlord shall not have exercised the termination right as set forth in Section 5.6.2, or shall have failed to give any or timely notice under Section 5.6.2, then for a period of ninety (90) days (i) after the receipt of Landlord's notice stating that Landlord does not elect the termination right, or (ii) after the expiration of the Review Period, in the event Landlord shall not give any or timely notice under Section 5.6.2 as the case may be, Tenant shall have the right to assign this Lease or sublet the Premises in accordance with the Proposed Transfer Notice provided that, in each instance, Tenant first obtains the express prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Landlord agrees to respond to a Proposed Transfer Notice meeting the requirements of this Section 5.6.1 within thirty (30) days after receipt thereof from Tenant (the "Review Period").

Without limiting the foregoing standard, Landlord shall not be deemed to be unreasonably withholding its consent to such a proposed assignment or subleasing if:

- (a) the proposed assignee or subtenant is a tenant of the Building or elsewhere on the Site (provided Landlord has comparable space available or coming available within the same general time frame as the proposed assignment or sublease), or is in active negotiation with Landlord or an affiliate of Landlord for premises in the Building or elsewhere on the Site, or is not of a character consistent with the operation of a first class office building (by way of example Landlord shall not be deemed to be unreasonably withholding its consent to an assignment or subleasing to any governmental or quasi-governmental agency), or
- (b) the proposed assignee or subtenant is not of good character and reputation, or
- (c) the proposed assignee does not possess adequate financial capability to perform the Tenant obligations under the Lease or the proposed subtenant does not possess adequate financial capability to perform the subtenant obligations under the sublease (in each case taking into account the continued liability of Tenant hereunder, it being understood and agreed that it would be unreasonable for Landlord to withhold its consent under this subsection (c) if at the time the Proposed Transfer Notice is given Tenant has a net worth equal to or greater than its net worth as of the date of this Lease), or
- (d) the assignee or subtenant proposes to use the Premises (or part thereof) for a purpose other than the purpose for which the Premises may be used as stated in Section 1.1 hereof, or

- (e) the character of the business to be conducted or the proposed use of the Premises by the proposed subtenant or assignee shall (i) be likely to increase Landlord's Operating Expenses beyond that which Landlord now incurs for use by Tenant; (ii) be likely to increase the burden on elevators or other Building systems or equipment over the burden generated by normal and customary office usage; or (iii) violate or be likely to violate any provisions or restrictions contained herein relating to the use or occupancy of the Premises, or
- (f) there shall be existing an Event of Default (defined in Section 7.1), or
- (g) any part of the rent payable under the proposed assignment or sublease shall be based in whole or in part on the income or profits derived from the Premises or if any proposed assignment or sublease shall potentially have any adverse effect on the real estate investment trust qualification requirements applicable to Landlord and its affiliates, or
- (h) the holder of any mortgage or ground lease on property which includes the Premises does not approve of the proposed assignment or sublease, or
- (i) due to the identity or business of a proposed assignee or subtenant, such approval would cause Landlord to be in violation of any covenant or restriction contained in another lease or other agreement affecting space in the Building or elsewhere in the Property.

If Landlord shall consent to the proposed assignment or subletting, as the case may be, then, in such event, Tenant may thereafter sublease or assign pursuant to Tenant's notice, as given hereunder; provided, however, that if such assignment or sublease shall not be executed and delivered to Landlord within ninety (90) days after the date of Landlord's consent, the consent shall be deemed null and void and the provisions of Section 5.6.1 shall be applicable.

- 5.6.4 Notwithstanding the provisions of Sections 5.6, 5.6.2, 5.6.3 and 5.6.5, but subject to the provisions of Sections 5.6.1 and 5.6.6, Tenant shall have the right to assign this Lease or to sublet the Premises to any other entity (the "Successor Entity") (i) which controls or is controlled by Tenant or Tenant's parent corporation or which is under common control with Tenant, provided that such transfer or transaction is for a legitimate business purpose of Tenant other than a transfer of Tenant's interest in this Lease, or (ii) which purchases all or substantially all of the business or assets of Tenant, or (iii) which purchases all or substantially all of the stock of (or other ownership or membership interests in) Tenant or (iv) which merges or combines with Tenant, provided that the Successor Entity has a credit worthiness (e.g. net assets on a pro forma basis using generally accepted accounting principles consistently applied and using the most recent financial statements) which is the same or better than the Tenant as of the date of this Lease (the foregoing transferees referred to, individually or collectively, as a "Permitted Transferee"). Except in cases of statutory merger, Tenant shall continue to remain fully liable under this Lease, on a joint and several basis with the Permitted Transferee. If any

parent, affiliate or subsidiary of Tenant to which this Lease is assigned or the Premises sublet (in whole or in part) shall cease to be such a parent, affiliate or subsidiary, such cessation shall be considered an assignment or subletting requiring Landlord's consent.

- 5.6.5 In the case of any assignment or subleasing as to which Landlord may consent (other than an assignment or subletting permitted under Section 5.6.4 above) such consent shall be upon the express and further condition, covenant and agreement, and Tenant hereby covenants and agrees that, in addition to the Annual Fixed Rent, Additional Rent and other charges to be paid pursuant to this Lease, fifty percent (50%) of the "Assignment/Sublease Profits" (hereinafter defined), if any, shall be paid to Landlord. The "Assignment/Sublease Profits" shall be the excess, if any, of (a) the "Assignment/Sublease Net Revenues" as hereinafter defined over (b) the Annual Fixed Rent and Additional Rent and other charges provided in this Lease (provided, however, that for the purpose of calculating the Assignment/Sublease Profits in the case of a sublease, appropriate prorations in the applicable Annual Fixed Rent, Additional Rent and other charges under this Lease shall be made based on the percentage of the Premises subleased and on the terms of the sublease). The "Assignment/Sublease Net Revenues" shall be the fixed rent, Additional Rent and all other charges and sums payable either initially or over the term of the sublease or assignment plus all other profits and increases to be derived by Tenant as a result of such subletting or assignment, less the reasonable costs of Tenant incurred in such subleasing or assignment (the definition of which shall be limited to brokerage commissions and alteration allowances, in each case actually paid), as set forth in a statement certified by an appropriate officer of Tenant and delivered to Landlord within thirty (30) days of the full execution of the sublease or assignment document, amortized over the term of the sublease or assignment.

All payments of the Assignment/Sublease Profits due Landlord shall be made within ten (10) days of receipt of same by Tenant.

- 5.6.6 (A) It shall be a condition of the validity of any assignment or subletting consented to under Section 5.6.3 above, or any assignment or subletting of right under Section 5.6.4 above, that both Tenant and the assignee or sublessee enter into a separate written instrument directly with Landlord in a form and containing terms and provisions reflecting the agreement of the assignee or sublessee to be bound directly to Landlord for all the obligations of the Tenant under this Lease (including any amendments or extensions thereof), including, without limitation, the obligation (a) to pay the rent and other amounts provided for under this Lease (but in the case of a partial subletting pursuant to Section 5.6.4, such subtenant shall agree on a pro rata basis to be so bound), (b) to comply with the provisions of Sections 5.6 through 5.6.6 hereof and (c) to indemnify the "Landlord Parties" (as defined in Section 8.13) as provided in Section 8.1 hereof. Except as otherwise set forth herein or as otherwise agreed, such assignment or subletting shall not relieve the Tenant named herein of any of the obligations of the Tenant hereunder and Tenant shall remain fully and primarily liable therefor and the liability of Tenant and such assignee (or subtenant, as the case may be) shall be joint and several. Further, and notwithstanding the foregoing, the provisions hereof shall not constitute a recognition of the sublease or the subtenant thereunder, as the case may be, and at Landlord's option, upon the termination or expiration of the Lease (whether such

termination is based upon a cause beyond Tenant's control, a default of Tenant, the agreement of Tenant and Landlord or any other reason), the sublease shall be terminated.

(B) As Additional Rent, Tenant shall pay to Landlord as a fee for Landlord's review of any proposed assignment or sublease requested by Tenant and the preparation of any associated documentation in connection therewith, within thirty (30) days after receipt of an invoice from Landlord, an amount equal to the reasonable out of pocket legal fees or other reasonable and necessary expenses incurred by Landlord in connection with such request; provided, however, that such legal fees shall not exceed \$3,000 in connection with any single request for consent.

(C) If this Lease be assigned, or if the Premises or any part thereof be sublet or occupied by anyone other than Tenant, Landlord may upon prior notice to Tenant, at any time and from time to time, collect rent and other charges from the assignee, sublessee or occupant and apply the net amount collected to the rent and other charges herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of this covenant, or a waiver of the provisions of Sections 5.6 through 5.6.6 hereof, or the acceptance of the assignee, sublessee or occupant as a tenant or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained, the Tenant herein named to remain primarily liable under this Lease.

(D) The consent by Landlord to an assignment or subletting under Section 5.6.3 above, or the consummation of an assignment or subletting of right under Section 5.6.4 above, shall in no way be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or subletting if required under this Lease.

(E) On or after the occurrence of an "Event of Default" (defined in Section 7.1), Landlord shall be entitled to one hundred percent (100%) of any Assignment/Sublease Profits.

(F) Without limiting Tenant's obligations under Section 5.12, Tenant shall be responsible, at Tenant's sole cost and expense, for performing all work necessary to comply with Legal Requirements and Insurance Requirements in connection with any assignment or subletting hereunder including, without limitation, any work in connection with such assignment or subletting.

(G) In addition to the other requirements set forth in this Lease and notwithstanding any other provision of this Lease, partial sublettings of the Premises shall only be permitted under the following terms and conditions: (i) the layout of both the subleased premises and the remainder of the Premises must comply with applicable laws, ordinances, rules and/or regulations and be approved by Landlord, including, without limitation, all requirements concerning access and egress; (ii) in the event the subleased premises are separately physically demised from the remainder of the Premises, Tenant shall pay all costs of separately physically demising the subleased premises; and (iii) there shall be no more than three (3) subleases in effect in the Premises at any time.

5.7 Right of Entry

To permit Landlord and its agents to examine the Premises at reasonable times during normal business hours and upon no less than twenty-four (24) hours notice (except in the event of an emergency) and, if Landlord shall so elect, to make any repairs or replacements Landlord may deem necessary; to remove, at Tenant's expense, any alterations, addition, signs, curtains, blinds, shades, awnings, aerials, flagpoles not otherwise permitted under this Agreement, or the like not consented to in writing; and to show the Premises to prospective tenants during the nine (9) months preceding expiration of the Term and to prospective purchasers and mortgagees at all reasonable times.

In the event Tenant sends a notice alleging the existence of a dangerous or unsafe condition, any requirements for prior notice or limitations on Landlord's access to the Premises contained in this Lease shall be deemed waived by Tenant so that Landlord may immediately exercise its rights under this Section 5.7 and Section 9.16 in such reasonable manner as Landlord deems necessary in its sole discretion to remedy such dangerous or unsafe condition.

5.8 Floor Load; Prevention of Vibration and Noise

Not to place a load upon the Premises exceeding an average rate of 100 pounds of live load per square foot of floor area (partitions shall be considered as part of the live load); and not to move any safe, vault or other heavy equipment in, about or out of the Premises except in such manner and at such time as Landlord shall in each instance authorize; Tenant's business machines and mechanical equipment which cause vibration or noise that may be transmitted to the Building structure or to any other space in the Building shall be so installed, maintained and used by Tenant so as to eliminate such vibration or noise.

5.9 Personal Property Taxes

To pay promptly when due all taxes which may be imposed upon "Tenant's Property" (as defined in Section 8.4 hereof) in the Premises to whomever assessed.

5.10 Compliance with Laws

To comply with all applicable Legal Requirements now or hereafter in force regarding the operation of Tenant's business and the use, condition, configuration and occupancy of the Premises, including without limitation, all applicable standards and regulations of the Federal Occupational Safety and Health Administration ("OSHA Requirements"), which obligation shall include ensuring that all contractors (including sub-contractors) that Tenant utilizes to perform work in the Premises comply with OSHA Requirements and that all required training is provided for such work. In addition, Tenant shall, at its sole cost and expense, promptly comply with any Legal Requirements that relate to the Base Building (as hereinafter defined), but only to the extent such obligations are triggered by Tenant's use of the Premises, other than for general office use, or alterations, additions or improvements in the Premises performed or requested by Tenant. "Base Building" shall include the structural portions of the Building, the public restrooms and the Building mechanical, electrical and plumbing systems and equipment located in the internal core of the Building on the floor or floors on which the Premises are

located. Tenant shall promptly pay all fines, penalties and damages that may arise out of or be imposed because of its failure to comply with the provisions of this Section 5.10.

5.11 Payment of Litigation Expenses

To pay as Additional Rent all reasonable costs, counsel and other fees incurred by Landlord in connection with the successful enforcement by Landlord of any obligations of Tenant under this Lease or in connection with any bankruptcy case involving Tenant or any guarantor.

5.12 Alterations

Tenant shall not make alterations and additions to Tenant's Premises except in accordance with plans and specifications therefor first approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. However, Landlord's determination of matters relating to aesthetic issues relating to alterations, additions or improvements which are visible outside the Premises shall be in Landlord's reasonable discretion. Without limiting such standard Landlord shall not be deemed unreasonable for withholding approval of any alterations or additions (including, without limitation, any alterations or additions to be performed by Tenant under Article III) which (a) in Landlord's opinion might adversely affect any structural or exterior element of the Building, any area or element outside of the Premises, or any facility or base building mechanical system serving any area of the Building outside of the Premises, or (b) involve or affect the exterior design, size, height, or other exterior dimensions of the Building or (c) will require unusual expense to readapt the Premises to normal office use on Lease termination or expiration or increase the cost of construction or of insurance or taxes on the Building or of the services called for by Section 4.1 unless Tenant first gives assurance acceptable to Landlord for payment of such increased cost and that such readaptation will be made prior to such termination or expiration without expense to Landlord, (d) enlarge the Rentable Floor Area of the Premises, or (e) are inconsistent, in Landlord's judgment, with alterations satisfying Landlord's standards for new alterations in the Building. Landlord's review and approval of any such plans and specifications and consent to perform work described therein shall not be deemed an agreement by Landlord that such plans, specifications and work conform with applicable Legal Requirements and requirements of insurers of the Building and the other requirements of this Lease with respect to Tenant's insurance obligations (herein called "Insurance Requirements") nor deemed a waiver of Tenant's obligations under this Lease with respect to applicable Legal Requirements and Insurance Requirements nor impose any liability or obligation upon Landlord with respect to the completeness, design sufficiency or compliance of such plans, specifications and work with applicable Legal Requirements and Insurance Requirements nor give right to any other parties. Further, Tenant acknowledges that Tenant is acting for its own benefit and account, and that Tenant shall not be acting as Landlord's agent in performing any work in the Premises, accordingly, no contractor, subcontractor or supplier shall have a right to lien Landlord's interest in the Property in connection with any such work. Within thirty (30) days after receipt of an invoice from Landlord, Tenant shall pay to Landlord as a fee for Landlord's review of any work or plans (excluding any review respecting initial improvements performed pursuant to Article III hereof for which a fee has previously been paid but including any review of plans or work relating to any assignment or subletting), as Additional Rent, an amount equal to the sum of: (i) \$150.00 per hour, plus (ii) third party expenses incurred by Landlord to review Tenant's plans and Tenant's work; provided, however, that such fees shall not exceed \$5,000.00 without Tenant's prior written consent (not to be

unreasonable withheld, conditioned or delayed). All alterations and additions shall be part of the Building unless and until Landlord shall specify the same for removal pursuant to Section 5.2. All of Tenant's alterations and additions and installation of furnishings shall be coordinated with any work being performed by Landlord and in such manner as to maintain harmonious labor relations and not to damage the Buildings or Site or interfere with construction or operation of the Buildings and other improvements to the Site and, except for installation of furnishings, shall be performed by Landlord's general contractor or by contractors or workers first approved by Landlord. Except for work by Landlord's general contractor, Tenant, before its work is started, shall secure all licenses and permits necessary therefor; deliver to Landlord a statement of the names of all its contractors and subcontractors and the estimated cost of all labor and material to be furnished by them and security satisfactory to Landlord protecting Landlord against liens arising out of the furnishing of such labor and material; and cause each contractor to carry insurance in accordance with Section 8.14 herein, and to deliver to Landlord certificates of all such insurance. Tenant shall also prepare and submit to Landlord a set of as-built plans, in both print and electronic forms, showing such work performed by Tenant to the Premises promptly after any such alterations, improvements or installations are substantially complete and promptly after any wiring or cabling for Tenant's computer, telephone and other communications systems is installed by Tenant or Tenant's contractor. Without limiting any of Tenant's obligations hereunder, Tenant shall be responsible, as Additional Rent, for the costs of any alterations, additions or improvements in or to the Building that are required in order to comply with Legal Requirements as a result of any work performed by Tenant. Landlord shall have the right to provide such rules and regulations relative to the performance of any alterations, additions, improvements and installations by Tenant hereunder and Tenant shall abide by all such reasonable rules and regulations and shall cause all of its contractors to so abide including, without limitation, payment for the costs of using Building services. Tenant agrees to pay promptly when due the entire cost of any work done on the Premises by Tenant, its agents, employees, or independent contractors, and not to cause or permit any liens for labor or materials performed or furnished in connection therewith to attach to the Premises or the Buildings or the Site and immediately to discharge any such liens which may so attach. Tenant shall pay, as Additional Rent, 100% of any real estate taxes on the Complex which shall, at any time after commencement of the Term, result from any alteration, addition or improvement to the Premises made by Tenant. Tenant acknowledges and agrees that Landlord shall be the owner of any additions, alterations and improvements in the Premises or the Building to the extent paid for by Landlord.

5.13 Vendors

Any vendors engaged by Tenant to perform services in or to the Premises including, without limitation, janitorial contractors and moving contractors shall be coordinated with any work being performed by or for Landlord and in such manner as to maintain harmonious labor relations and not to damage the Building or the Property or interfere with Building construction or operation and shall be performed by vendors first approved by Landlord.

5.14 OFAC

As an inducement to Landlord to enter into this Lease, Tenant hereby represents and warrants that: (i) Tenant is not, nor is it owned or controlled directly or indirectly by, any person, group, entity or nation named on the Specially Designated Nationals and Blocked Persons List

maintained by the Office of Foreign Assets Control of the United States Treasury (“OFAC”) (any such person, group, entity or nation being hereinafter referred to as a “Prohibited Person”); (ii) Tenant is not (nor is it owned, controlled, directly or indirectly, by any person, group, entity or nation which is) acting directly or indirectly for or on behalf of any Prohibited Person; and (iii) Tenant (and any person, group, or entity which Tenant controls, directly or indirectly) has not conducted nor will conduct business nor has engaged nor will engage in any transaction or dealing with any Prohibited Person that either may cause or causes Landlord to be in violation of any OFAC rule or regulation, including without limitation any assignment of this Lease or any subletting of all or any portion of the Premises. In connection with the foregoing, it is expressly understood and agreed that (x) any breach by Tenant of the foregoing representations and warranties shall be deemed an immediate Event of Default by Tenant under Section 7.1 of this Lease (without the benefit of notice or grace) and shall be covered by the indemnity provisions of Section 8.1 below, and (y) the representations and warranties contained in this subsection shall be continuing in nature and shall survive the expiration or earlier termination of this Lease.

ARTICLE VI

Casualty and Taking

6.1 Damage Resulting from Casualty

In case the Building or the Site are damaged by fire or casualty and such fire or casualty damage cannot, in the ordinary course, reasonably be expected to be repaired within one hundred fifty (150) days from the time that repair work would commence, Landlord may, at its election, terminate this Lease by notice given to Tenant within sixty (60) days after the date of such fire or other casualty, specifying the effective date of termination. The effective date of termination specified by Landlord shall not be less than thirty (30) days nor more than forty-five (45) days after the date of notice of such termination.

In case during the last twenty-four (24) months of the Lease Term, the Premises are damaged by fire or casualty and such fire or casualty damage cannot, in the ordinary course, reasonably be expected to be repaired within one hundred and twenty (120) days (and/or as to special work or work which requires long lead time then if such work cannot reasonably be expected to be repaired within such additional time as is reasonable under the circumstances given the nature of the work) from the time that repair work would commence, Tenant may, at its election, terminate this Lease by notice given to Landlord within sixty (60) days after the date of such fire or other casualty, specifying the effective date of termination. The effective date of termination specified by Tenant shall be not less than thirty (30) days nor more than forty-five (45) days after the date of notice of such termination.

Unless terminated pursuant to the foregoing provisions, this Lease shall remain in full force and effect following any such damage subject, however, to the following provisions.

If the Building or the Site or any part thereof are damaged by fire or other casualty and this Lease is not so terminated, or Landlord or Tenant have no right to terminate this Lease, and in any such case the holder of any mortgage which includes the Building as a part of the mortgaged premises or any ground lessor of any ground lease which includes the Site as part of the demised

premises allows the net insurance proceeds to be applied to the restoration of the Building (and/or the Site), Landlord shall, promptly after such damage and the determination of the net amount of insurance proceeds available, use due diligence to restore the Premises and the Building in the event of damage thereto (excluding "Tenant's Property" (as defined in Section 8.4 hereof), except as expressly provided in the immediately following paragraph of this Section 6.1) into proper condition for use and occupation and a just proportion of the Annual Fixed Rent, Tenant's share of Operating Expenses and Tenant's share of real estate taxes shall be abated according to the nature and extent of the injury to the Premises, until the Premises shall have been restored by Landlord substantially into such condition except for punch list items and long lead items. Notwithstanding anything herein contained to the contrary, Landlord shall not be obligated to expend for such repair and restoration any amount in excess of the net insurance proceeds; provided that if the available proceeds are insufficient to restore the Premises to the condition existing prior to such casualty and Landlord elects to not to provide additional funds, Landlord will notify Tenant in writing that it will not provide such additional funds and Tenant may terminate this Lease by notice given to Landlord within sixty (60) days after the date of delivery of such notice. The effective date of termination shall be not less than thirty (30) days nor more than forty-five (45) days after the date of notice of such termination.

Notwithstanding the foregoing, if Landlord is proceeding with the restoration of the Building and the Premises in accordance with the previous paragraph, Landlord shall also restore any alterations, additions or improvements within the Premises that are part of Tenant's Property (x) which have previously been approved by Landlord in accordance with the terms and provisions of this Lease or which are existing in the Premises as of the date of this Lease, and (y) with respect to which Tenant has carried "all risk" insurance covering the loss or damage in accordance with Section 8.4 below and pays the proceeds of such insurance (or an amount equivalent thereto) to Landlord within five (5) business days following Landlord's written request; provided, however, that in no event shall Landlord be required to fund any insufficiency in the insurance proceeds (or equivalent amount) provided by Tenant with respect to such loss or damage (or to fund any of the costs of restoration in the absence of any payment by Tenant).

If such restoration is not completed within nine (9) months from the date of the fire or casualty, such period to be subject, however, to extension where the delay in completion of such work is due to Force Majeure, as defined hereinbelow, (but in no event beyond twelve (12) months from the date of the fire or casualty), Tenant, as its sole and exclusive remedy, shall have the right to terminate this Lease at any time after the expiration of such nine-month period (as extended), which right shall continue until the restoration is substantially completed. Such termination shall be effective as of the thirtieth (30th) day after the date of receipt by Landlord of Tenant's notice, with the same force and effect as if such date were the date originally established as the expiration date hereof unless, within thirty (30) days after Landlord's receipt of Tenant's notice, such restoration is substantially completed, in which case Tenant's notice of termination shall be of no force and effect and this Lease and the Lease Term shall continue in full force and effect. When used herein, "Force Majeure" shall mean any prevention, delay or stoppage due to governmental regulation, strikes, lockouts, acts of God, acts of war, terrorists acts, civil commotions, unusual scarcity of or inability to obtain labor or materials, labor difficulties, fire or other casualty (including the time necessary to repair any damage caused thereby) or other causes reasonably beyond Landlord's control or attributable to Tenant's action or inaction.

6.2 Uninsured Casualty

Notwithstanding anything to the contrary contained in this Lease, if the Building or the Premises shall be substantially damaged by fire or casualty as the result of a risk not covered by the forms of casualty insurance at the time maintained by Landlord and such fire or casualty damage cannot, in the ordinary course, reasonably be expected to be repaired within ninety (90) days from the time that repair work would commence, Landlord may, at its election, terminate the Term of this Lease by notice to the Tenant given within sixty (60) days after such loss. If Landlord shall give such notice, then this Lease shall terminate as of the date of such notice with the same force and effect as if such date were the date originally established as the expiration date hereof.

6.3 Rights of Termination for Taking

If the entire Building, or such portion of the Premises as to render the balance (if reconstructed to the maximum extent practicable in the circumstances) unsuitable for Tenant's purposes, shall be taken by condemnation or right of eminent domain, Landlord or Tenant shall have the right to terminate this Lease by notice to the other of its desire to do so, provided that such notice is given not later than thirty (30) days after Tenant has been deprived of possession. If either party shall give such notice, then this Lease shall terminate as of the date of such notice with the same force and effect as if such date were the date originally established as the expiration date hereof.

Further, if so much of the Building shall be so taken that continued operation of the Building would be uneconomic as a result of the taking, Landlord shall have the right to terminate this Lease by giving notice to Tenant of Landlord's desire to do so not later than thirty (30) days after Tenant has been deprived of possession of the Premises (or such portion thereof as may be taken). If Landlord shall give such notice, then this Lease shall terminate as of the date of such notice with the same force and effect as if such date were the date originally established as the expiration date hereof.

Should any part of the Premises be so taken or condemned during the Lease Term hereof, and should this Lease not be terminated in accordance with the foregoing provisions, and the holder of any mortgage which includes the Premises as part of the mortgaged premises or any ground lessor of any ground lease which includes the Site as part of the demised premises allows the net condemnation proceeds to be applied to the restoration of the Building, Landlord agrees, after the determination of the net amount of condemnation proceeds available to Landlord, to use due diligence to put what may remain of the Premises into proper condition for use and occupation as nearly like the condition of the Premises prior to such taking as shall be practicable (excluding Tenant's Property). Notwithstanding the foregoing, Landlord shall not be obligated to expend for such repair and restoration any amount in excess of the net condemnation proceeds made available to it.

If the Premises shall be affected by any exercise of the power of eminent domain, then the Annual Fixed Rent, Tenant's share of operating costs and Tenant's share of real estate taxes shall be justly and equitably abated and reduced according to the nature and extent of the loss of use thereof suffered by Tenant; and in case of a taking which permanently reduces the Rentable Floor Area of the Premises, a just proportion of the Annual Fixed Rent, Tenant's share of

Operating Expenses and Tenant's share of real estate taxes shall be abated for the remainder of the Lease Term.

6.4 Award

Landlord shall have and hereby reserves to itself any and all rights to receive awards made for damages to the Premises, the Building, the Complex and the Site 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 grants, releases and assigns to Landlord all Tenant's rights to such awards, and covenants to execute and deliver such further assignments and assurances thereof as Landlord may from time to time request, and if Tenant shall fail to execute and deliver the same within fifteen (15) days after notice from Landlord, Tenant hereby covenants and agrees that Landlord shall be irrevocably designated and appointed as its attorney-in-fact to execute and deliver in Tenant's name and behalf all such further assignments thereof which conform with the provisions hereof.

Nothing contained herein shall be construed to prevent Tenant from prosecuting in any condemnation proceeding a claim for the value of any of Tenant's usual trade fixtures installed in the Premises by Tenant at Tenant's expense and for relocation and moving expenses, provided that such action and any resulting award shall not affect or diminish the amount of compensation otherwise recoverable by Landlord from the taking authority.

ARTICLE VII

Default

7.1 Tenant's Default

- (a) If at any time subsequent to the date of this Lease any one or more of the following events (herein sometimes called an "Event of Default") shall occur:
- (i) Tenant shall fail to pay the fixed rent, Additional Rent or other charges for which provision is made herein on or before the date on which the same become due and payable, and the same continues for five (5) business days after notice from Landlord thereof; or
 - (ii) Landlord having rightfully given the notice specified in subdivision (i) above three times in any calendar year, Tenant shall thereafter in the same calendar year fail to pay the fixed rent, Additional Rent or other charges on or before the date on which the same become due and payable; or
 - (iii) Tenant shall assign its interest in this Lease or sublet any portion of the Premises in violation of the requirements of Section 5.6 through 5.6.6 of this Lease; or
 - (iv) Tenant shall fail to perform or observe some term or condition of this Lease which, because of its character, would immediately jeopardize Landlord's interest (such as, but without limitation, failure to maintain

general liability insurance, or the employment of labor and contractors within the Premises which interfere with Landlord's work, in violation of Exhibit B-1), and such failure continues for five (5) business days after notice from Landlord to Tenant thereof; or

- (v) Tenant shall neglect or fail to perform or observe any other covenant herein contained on Tenant's part to be performed or observed and Tenant shall fail to remedy the same within thirty (30) days after notice to Tenant specifying such neglect or failure, or if such failure is of such a nature that Tenant cannot reasonably remedy the same within such thirty (30) day period, Tenant shall fail to commence promptly to remedy the same and to prosecute such remedy to completion with diligence and continuity; or
- (vi) Tenant's leasehold interest in the Premises shall be taken on execution or by other process of law directed against Tenant; or
- (vii) Tenant shall make an assignment for the benefit of creditors or shall file a voluntary petition in bankruptcy or shall be adjudicated bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation for the relief of debtors, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant or of all or any substantial part of its properties; or
- (viii) A petition shall be filed against Tenant in bankruptcy or under any other law seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future Federal, State or other statute, law or regulation and shall remain undismissed or unstayed for an aggregate of sixty (60) days (whether or not consecutive), or if any debtor in possession (whether or not Tenant) trustee, receiver or liquidator of Tenant or of all or any substantial part of its properties or of the Premises shall be appointed without the consent or acquiescence of Tenant and such appointment shall remain unvacated or unstayed for an aggregate of sixty (60) days (whether or not consecutive) then, and in any of said cases (notwithstanding any license of a former breach of covenant or waiver of the benefit hereof or consent in a former instance).

Landlord lawfully may, immediately or at any time thereafter, and without demand or further notice terminate this Lease by notice to Tenant, specifying a date not less than ten (10) days after the giving of such notice on which this Lease shall terminate, and this Lease shall come to an end on the date specified therein as fully and completely as if such date were the date herein originally fixed for the expiration of the Lease Term (Tenant hereby waiving any rights of redemption), and Tenant will then quit and surrender the Premises to Landlord, but Tenant shall remain liable as hereinafter provided.

- (b) If this Lease shall have been terminated as provided in this Article, then Landlord may, without notice, re- enter the Premises, either by force, summary proceedings, ejectment or otherwise, and remove and dispossess Tenant and all other persons and any and all property from the same, as if this Lease had not been made, and Tenant hereby waives the service of notice of intention to re-enter or to institute legal proceedings to that end.
- (c) In the event that this Lease is terminated under any of the provisions contained in Section 7.1 (a) or shall be otherwise terminated by breach of any obligation of Tenant, Tenant covenants and agrees forthwith to pay and be liable for, on the days originally fixed herein for the payment thereof, amounts equal to the several installments of rent and other charges reserved as they would, under the terms of this Lease, become due if this Lease had not been terminated or if Landlord had not entered or re-entered, as aforesaid, and whether the Premises be relet or remain vacant, in whole or in part, or relet for a period less than the remainder of the Term, and for the whole thereof, but in the event the Premises be relet by Landlord, Tenant shall be entitled to a credit in the net amount of rent and other charges received by Landlord in reletting, after deduction of all expenses incurred in reletting the Premises (including, without limitation, remodeling costs, brokerage fees and the like), and in collecting the rent in connection therewith, in the following manner:

Amounts received by Landlord after reletting shall first be applied against such Landlord's expenses, until the same are recovered, and until such recovery, Tenant shall pay, as of each day when a payment would fall due under this Lease, the amount which Tenant is obligated to pay under the terms of this Lease (Tenant's liability prior to any such reletting and such recovery not in any way to be diminished as a result of the fact that such reletting might be for a rent higher than the rent provided for in this Lease); when and if such expenses have been completely recovered, the amounts received from reletting by Landlord as have not previously been applied shall be credited against Tenant's obligations as of each day when a payment would fall due under this Lease, and only the net amount thereof shall be payable by Tenant. Further, amounts received by Landlord from such reletting for any period shall be credited only against obligations of Tenant allocable to such period, and shall not be credited against obligations of Tenant hereunder accruing subsequent or prior to such period; nor shall any credit of any kind be due for any period after the date when the term of this Lease is scheduled to expire according to its terms.

Landlord agrees to use reasonable efforts to relet the Premises after Tenant vacates the same in the event this Lease is terminated based upon an Event of Default by Tenant hereunder. The marketing of the Premises in a manner similar to the manner in which Landlord markets other premises within Landlord's control within the Building shall be deemed to have satisfied Landlord's obligation to use "reasonable efforts" hereunder. In no event shall Landlord be required to (i) solicit or entertain negotiations with any other prospective tenant for the Premises until Landlord obtains full and complete possession of the Premises (including, without limitation, the final and unappealable legal right to relet the Premises free of any claim of Tenant), (ii) relet the Premises before leasing other vacant space in the Building, or (iii) lease the Premises for a rental less than the current fair market rent then prevailing for similar office space in the Building.

- (d) (i) In the alternative, Landlord may elect, by notice given to Tenant at any time after such termination and whether or not Landlord shall have collected any damages under subsection (c) above, but as final damages and in lieu of all other damages beyond the date of such notice to require Tenant to pay such a sum as at the time of the giving of such notice represents the amount of the excess, if any, of (a) the discounted present value, at a discount rate of 6%, of the total rent and charges which would have been payable by Tenant under this Lease from the date of such notice for what would be the then unexpired Lease Term if the Lease terms had been fully complied with by Tenant over and above (b) the discounted present value, at a discount rate of 6%, of the total rent and other charges that would be received by Landlord if the Premises were released at the time of such notice for the remainder of the Lease Term at the fair market value (including provisions regarding periodic increases in rent if such are applicable) prevailing at the time of such notice as reasonably determined by Landlord, plus all expenses which Landlord may have incurred with respect to the collection of such damages.
- (ii) For the purposes of this Article, if Landlord elects to require Tenant to pay damages in accordance with the immediately preceding paragraph, the total rent shall be computed by assuming that Tenant's share of excess taxes, Tenant's share of excess operating costs and Tenant's share of excess electrical costs would be, for the balance of the unexpired Term from the date of such notice, the amount thereof (if any) for the immediately preceding annual period payable by Tenant to Landlord.
- (e) In case of any Event of Default, re-entry, dispossession by summary proceedings or otherwise, Landlord may (i) re-let the Premises or any part or parts thereof, either in the name of Landlord or otherwise, 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 of this Lease and may grant concessions or free rent to the extent that Landlord considers advisable or necessary to re-let the same and (ii) may make such alterations, repairs and decorations in the Premises as Landlord in its sole judgment considers advisable or necessary for the purpose of reletting the Premises; and the making of such alterations, repairs and decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Landlord shall in no event be liable in any way whatsoever for failure to re-let the Premises, or, in the event that the Premises are re-let, for failure to collect the rent under re-letting. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed, or in the event of Landlord obtaining possession of the Premises, by reason of the violation by Tenant of any of the covenants and conditions of this Lease.
- (f) The specified remedies to which Landlord may resort hereunder are not intended to be exclusive of any remedies or means of redress to which Landlord may at any time be entitled lawfully, and Landlord may invoke any remedy (including the remedy of specific performance) allowed at law or in equity as if specific remedies were not herein provided for. Further, nothing contained in this Lease shall limit or prejudice the right of Landlord to prove 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 proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

- (g) In lieu of any other damages or indemnity and in lieu of the recovery by Landlord of all sums payable under all the foregoing provisions of this Section 7.1, Landlord may elect to collect from Tenant, by notice to Tenant, given to Tenant at the time of termination and Tenant shall thereupon pay, as liquidated damages, an amount equal to the sum of the Annual Fixed Rent and all Additional Rent payable for the twelve (12) months ended next prior to the such termination plus the amount of Annual Fixed Rent and Additional Rent of any kind accrued and unpaid at the time of such termination plus any and all expenses which the Landlord may have incurred for and with respect of the collection to any of such rent.

7.2 Landlord's Default

Landlord shall in no event be in default in the performance of any of Landlord's obligations hereunder unless and until Landlord shall have failed to perform such obligations within thirty (30) days, or such additional time as is reasonably required to correct any such default, after notice by Tenant to Landlord properly specifying wherein Landlord has failed to perform any such obligation. The Tenant shall not assert any right to deduct the cost of repairs or any monetary claim against the Landlord from rent thereafter due and payable, but shall look solely to the Landlord for satisfaction of such claim.

ARTICLE VIII

Insurance and Indemnity

8.1 Tenant's Indemnity

(a) Indemnity. Subject to the limitations in Section 8.13 of this Article, to the fullest extent permitted by law, Tenant waives any right to contribution against the Landlord Parties (as hereinafter defined) and agrees to indemnify and save harmless the Landlord Parties from and against all claims of whatever nature by a third party arising from or claimed to have arisen from (i) any act, omission or negligence of the Tenant Parties (as hereinafter defined); (ii) except to the extent resulting from any negligence or willful misconduct of Landlord or any Landlord Parties, any accident, injury or damage whatsoever caused to any person, or to the property of any person, occurring in or about the Premises from the Commencement Date, and thereafter throughout and until the end of the Lease Term, and after the end of the Lease Term for so long after the end of the Lease Term as any of Tenant's Property (as defined in Section 8.4) remains on the Premises, or Tenant or anyone acting by, through or under Tenant may use, be in occupancy of any part of, or have access to the Premises or any portion thereof; (iii) except to the extent resulting from any negligence or willful misconduct of Landlord or any Landlord Parties, any accident, injury or damage whatsoever occurring outside the Premises but within the Building, or on common areas or the Complex, where such accident, injury or damage results, or is claimed to have resulted, from any act, omission or negligence on the part of any of the Tenant Parties; or (iv) any breach of this Lease by Tenant. Tenant shall pay such indemnified amounts as they are incurred by the Landlord Parties. This indemnification shall not be construed to deny

or reduce any other rights or obligations of indemnity that any of the Landlord Parties may have under this Lease. The indemnification rights of Landlord Parties provided in this Lease are their exclusive indemnification rights with respect to this Lease. Notwithstanding anything contained herein to the contrary, Tenant shall not be obligated to indemnify a Landlord Party for any claims to the extent that such Landlord Party's damages in fact result from matters included in Landlord's indemnity in Section 8.1.1 of this Article. Landlord waives any additional rights to indemnification it may have against Tenant Parties with respect to this Lease under common law.

(b) Breach. In the event that Tenant breaches any of its indemnity obligations hereunder: (i) Tenant shall pay to the Landlord Parties all reasonable liabilities, loss, cost, or expense (including reasonable attorneys' fees) incurred as a result of said breach; and (ii) the Landlord Parties may deduct and offset from any amounts due to Tenant under this Lease any amounts owed by Tenant pursuant to this Section 8.1(b).

(c) Limitations. The indemnification obligations under this Section 8.1 shall not be limited by any limitation on the amount of damages, compensation or benefits payable by or for Tenant or any subtenant or other occupant of the Premises under workers' compensation acts, disability benefit acts, or other employee benefit acts. Tenant waives any immunity from or limitation on its indemnity or contribution liability to the Landlord Parties based upon such acts.

(d) Subtenants and other occupants. Tenant shall require its subtenants and other occupants of the Premises to provide similar indemnities to the Landlord Parties in a form reasonably acceptable to Landlord.

(e) Survival. The terms of this Section 8.1 shall survive any termination or expiration of this Lease.

(f) Costs. The foregoing indemnity and hold harmless agreement shall include indemnity for all reasonable costs, expenses and liabilities (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the Landlord Parties in connection with any such claim or any action or proceeding brought thereon, and the defense thereof. Landlord shall provide notice of any such third party claim to Tenant as soon as practicable. In addition, in the event that any action or proceeding shall be brought against one or more Landlord Parties by reason of any such claim, Tenant, upon request from the Landlord Party, shall resist and defend such action or proceeding on behalf of the Landlord Party by counsel appointed by Tenant's insurer (if such claim is covered by insurance without reservation) or otherwise by counsel reasonably satisfactory to the Landlord Party. The Landlord Parties shall not be bound by any compromise or settlement of any such claim, action or proceeding without the prior written consent of such Landlord Parties.

(g) Landlord Parties and Tenant Parties. The term "Landlord Party" or "Landlord Parties" shall mean Landlord, any affiliate of Landlord, Landlord's managing agents for the Building, each mortgagee (if any), each ground lessor (if any), and each of their respective direct or indirect partners, officers, shareholders, directors, members, trustees, beneficiaries, servants, employees, principals, contractors, licensees, agents or representatives. For the purposes of this Lease, the term "Tenant Party" or "Tenant Parties" shall mean Tenant, any affiliate of Tenant, any permitted subtenant or any other permitted occupant of the Premises, and each of their respective direct or indirect partners, officers, shareholders, directors, members, trustees,

beneficiaries, servants, employees, principals, contractors, licensees, agents, invitees or representatives.

8.1.1 Landlord's Indemnity. Subject to the limitations in Section 9.3 and in Section 8.2 and Section 8.13 of this Article, to the fullest extent permitted by law, and to the extent not resulting from any act, omission, fault, negligence or misconduct of Tenant or its contractors, licensees, invitees, agents, servants or employees, Landlord waives its right to contribution and agrees to indemnify and save harmless Tenant from and against any claim by a third party arising from any injury to any person occurring in the Premises or in the Complex after the Commencement Date and until the expiration or earlier termination of the Lease Term, to the extent such injury results from the negligence or willful misconduct of Landlord or Landlord's employees, or from any breach or default by Landlord in the performance or observance of its covenants or obligations under this Lease; provided, however, that in no event shall the aforesaid indemnity render Landlord responsible or liable for any loss or damage to fixtures, personal property or other property of Tenant, and Landlord shall in no event be liable for any indirect or consequential damages. Tenant shall provide notice of any such third party claim to Landlord as soon as practicable. Landlord shall have the right, but not the duty, to defend the claim. The provisions of this Section shall not be applicable to (i) the holder of any mortgage now or hereafter on the Property or Building (whether or not such holder shall be a mortgagee in possession of or shall have exercised any rights under a conditional, collateral or other assignment of leases and/or rents respecting the Property or Building), or (ii) any person acquiring title as a result of, or subsequent to, a foreclosure of any such mortgage or a deed in lieu of foreclosure, except to the extent of liability insurance maintained by either of the foregoing. The indemnification rights of Tenant provided in this Lease are its exclusive indemnification rights with respect to this Lease. Tenant waives any additional rights to indemnification it may have against Landlord Parties with respect to this Lease under common law.

8.2 Tenant's Risk

Tenant agrees to use and occupy the Premises, and to use such other portions of the Building and the Complex as Tenant is given the right to use by this Lease at Tenant's own risk. The Landlord Parties shall not be liable to the Tenant Parties for any damage, injury, loss, compensation, or claim (including, but not limited to, claims for the interruption of or loss to a Tenant Party's business) based on, arising out of or resulting from any cause whatsoever, including, but not limited to, repairs to any portion of the Premises or the Building or the Complex, any fire, robbery, theft, mysterious disappearance, or any other crime or casualty, the actions of any other tenants of the Building or of any other person or persons, or any leakage in any part or portion of the Premises or the Building or the Complex, or from water, rain or snow that may leak into, or flow from any part of the Premises or the Building or the Complex, or from drains, pipes or plumbing fixtures in the Building or the Complex. Any goods, property or personal effects stored or placed in or about the Premises shall be at the sole risk of the Tenant Party, and neither the Landlord Parties nor their insurers shall in any manner be held responsible therefor. The Landlord Parties shall not be responsible or liable to a Tenant Party, or to those claiming by, through or under a Tenant Party, for any loss or damage that may be occasioned by or through

the acts or omissions of persons occupying adjoining premises or any part of the premises adjacent to or connecting with the Premises or any part of the Building or otherwise. Notwithstanding the foregoing, the Landlord Parties shall not be released from liability for any injury, loss, damages or liability to the extent arising from any negligence or willful misconduct of the Landlord Parties; provided, however, in no event shall the Landlord Parties have any liability to a Tenant Party based on any loss with respect to or interruption in the operation of Tenant's business. The provisions of this section shall be applicable to the fullest extent permitted by law, and until the expiration or earlier termination of the Lease Term, and during such further period as any of Tenant's Property remains on the Premises, or Tenant or anyone acting by, through or under Tenant may use, be in occupancy of any part of, or have access to the Premises or of the Building.

8.3 Tenant's Commercial General Liability Insurance

Tenant agrees to maintain in full force on or before the Commencement Date, and thereafter throughout and until the end of the Lease Term, and after the end of the Lease Term for so long as any of Tenant's Property remains on the Premises, or Tenant or anyone acting by, through or under Tenant may use, be in occupancy of any part of, or have access to the Premises or any portion thereof, a policy of commercial general liability insurance, on an occurrence basis, issued on a form at least as broad as Insurance Services Office ("ISO") Commercial General Liability Coverage "occurrence" form CG 00 01 10 01 or another Commercial General Liability "occurrence" form providing equivalent coverage. Such insurance shall include contractual liability coverage, specifically covering but not limited to the indemnification obligations undertaken by Tenant in this Lease. The minimum limits of liability of such insurance shall be \$5,000,000.00 per occurrence, which may be satisfied through a combination of primary and excess/umbrella insurance. In addition, in the event Tenant hosts a function in the Premises, in the Building or on the Property, Tenant agrees to obtain, and cause any persons or parties providing services for such function to obtain, the appropriate insurance coverages as determined by Landlord (including liquor liability coverage, if applicable) and provide Landlord with evidence of the same.

8.4 Tenant's Property Insurance

Tenant shall maintain at all times during the Term of this Lease, and during such later time as Tenant may be performing work in or to the Premises or have property, fixtures, furniture, equipment, machinery, goods, supplies, wares or merchandise on the Premises, and continuing thereafter so long as any of Tenant's Property, remains on the Premises, or Tenant or anyone acting by, through or under Tenant may use, be in occupancy of or have access to, any part of the Premises, business interruption insurance and insurance against loss or damage covered by the so-called "all risk" or equivalent type insurance coverage with respect to (i) Tenant's property, fixtures, furniture, equipment, machinery, goods, supplies, wares and merchandise, and other property of Tenant located at the Premises, (ii) all additions, alterations and improvements made by or on behalf of the Tenant in the Premises (except to the extent paid for by Landlord in connection with this Lease) or existing in the Premises as of the date of this Lease ("Leasehold Improvements"), and (iii) any property of third parties, including but not limited to leased or rented property, in the Premises in Tenant's care, custody, use or control, provided that such insurance in the case of (iii) may be maintained by such third parties, (collectively, "Tenant's Property"). The business interruption insurance required by this section shall be in minimum

amounts typically carried by prudent tenants engaged in similar operations, but in no event shall be in an amount in excess of \$5,000,000. The “all risk” insurance required by this section shall be in an amount at least equal to the full replacement cost of Tenant’s Property. In addition, during such time as Tenant is performing work in or to the Premises, Tenant, at Tenant’s expense, shall also maintain, or shall cause its contractor(s) to maintain, builder’s risk insurance for the full insurable value of such work. Landlord and such additional persons or entities as Landlord may reasonably request shall be named as loss payees, as their interests may appear, on the policy or policies required by this section for Leasehold Improvements. In the event of loss or damage covered by the “all risk” insurance required by this Lease, the responsibilities for repairing or restoring the loss or damage shall be determined in accordance with Article VI. To the extent that Landlord is obligated to pay for the repair or restoration of the loss or damage covered by the policy, Landlord shall be paid the proceeds of the “all risk” insurance covering the loss or damage. To the extent Tenant is obligated to pay for the repair or restoration of the loss or damage, covered by the policy, Tenant shall be paid the proceeds of the “all risk” insurance covering the loss or damage. If both Landlord and Tenant are obligated to pay for the repair or restoration of the loss or damage covered by the policy, the insurance proceeds shall be paid to each of them in the pro rata proportion of their obligations to repair or restore the loss or damage. If the loss or damage is not repaired or restored (for example, if the Lease is terminated pursuant to Article VI), the insurance proceeds shall be paid to Landlord and Tenant in the pro rata proportion of their relative contributions to the cost of the leasehold improvements covered by the policy.

8.5 Tenant’s Other Insurance

Tenant agrees to maintain in full force on the Commencement Date, and thereafter throughout the end of the Term, and after the end of the Term for so long after the end of the Term any of Tenant’s Property remains on the Premises or as Tenant or anyone acting by, through or under Tenant may use, be in occupancy of, or have access to the Premises or any portion thereof, (1) automobile liability insurance (covering any automobiles owned or operated by Tenant at the Site); (2) worker’s compensation insurance as required by law; and (3) employer’s liability insurance. Such automobile liability insurance shall be in an amount not less than One Million Dollars (\$1,000,000) for each accident. Such employer’s liability insurance shall be in an amount not less than One Million Dollars (\$1,000,000) for each accident, One Million Dollars (\$1,000,000) disease-policy limit, and One Million Dollars (\$1,000,000) disease-each employee.

8.6 Requirements for Tenant’s Insurance

All insurance required to be maintained by Tenant pursuant to this Lease shall be maintained with responsible companies that are admitted to do business, and are in good standing in the Commonwealth of Massachusetts and that have a rating of at least “A” and are within a financial size category of not less than “Class X” in the most current Best’s Key Rating Guide or such similar rating as may be reasonably selected by Landlord. All such insurance shall: (1) be acceptable in form and content to Landlord; and (2) contain a clause requiring the insurer to provide Landlord thirty (30) days’ prior written notice of cancellation or failure to renew. All commercial general liability, and excess/umbrella liability insurance policies shall be primary and noncontributory. No such policy shall contain any self-insured retention greater than \$100,000.00 or property insurance and \$25,000.00 for commercial general liability insurance. Any deductibles and such self-insured retentions shall be deemed to be “insurance” for purposes

of the waiver in Section 8.13 below. Landlord reserves the right from time to time to require Tenant to obtain higher minimum amounts of insurance based on such limits as are customarily carried with respect to similar properties in the area in which the Premises are located. The minimum amounts of insurance required by this Lease shall not be reduced by the payment of claims or for any other reason. In the event Tenant shall fail to obtain or maintain any insurance meeting the requirements of this Article, or to deliver such policies or certificates as required by this Article, Landlord may, at its option, on five (5) days notice to Tenant, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord within five (5) days after delivery to Tenant of bills therefor.

8.7 Additional Insureds

To the fullest extent permitted by law, the commercial general liability and auto insurance carried by Tenant pursuant to this Lease, and any additional liability insurance carried by Tenant pursuant to Section 8.5 of this Lease or any other provision of this Lease, shall name Landlord, Landlord's managing agent, and such other persons as Landlord may reasonably request from time to time as additional insureds with respect to liability arising out of or related to this Lease or the operations of Tenant (collectively "Additional Insureds"). Such insurance shall provide primary coverage without contribution from any other insurance carried by or for the benefit of Landlord, Landlord's managing agent, or other Additional Insureds. Such insurance shall also waive any right of subrogation against each Additional Insured. For the avoidance of doubt, each primary policy and each excess/umbrella policy through which Tenant satisfies its obligations under this Section 8.7 must provide coverage to the Additional Insureds that is primary and non-contributory. The foregoing shall not apply to any automobile insurance.

8.8 Certificates of Insurance

On or before the earlier of (i) the date on which any Tenant Party first enters the Premises for any reason or (ii) the Commencement Date, Tenant shall furnish Landlord with certificates evidencing the insurance coverage required by this Lease, and renewal certificates shall be furnished to Landlord at least annually thereafter, and at least thirty (30) days prior to the expiration date of each policy for which a certificate was furnished (acceptable forms of such certificates for liability and property insurance, respectively, as of the date hereof, are attached as Exhibit E, however, other forms of certificates may satisfy the requirements of this Section 8.8). Failure by the Tenant to provide the certificates required by this Section 8.8 shall not be deemed to be a waiver of the requirements in this Section 8.8. Upon request by Landlord in connection with the adjustment or settlement of any insurance claim, a true and complete copy of any insurance policy required by this Lease shall be delivered to Landlord within ten (10) days following Landlord's request.

8.9 Subtenants and Other Occupants

Tenant shall require its subtenants and other occupants of the Premises to provide written documentation evidencing the obligation of such subtenant or other occupant to indemnify the Landlord Parties to the same extent that Tenant is required to indemnify the Landlord Parties pursuant to Section 8.1 above, and to maintain insurance that meets the requirements of this Article, and otherwise to comply with the requirements of this Article, provided that the terms of this Section 8.9 shall not relieve Tenant of any of its obligations to comply with the requirements

of this Article. Tenant shall require all such subtenants and occupants to supply certificates of insurance evidencing that the insurance requirements of this Article have been met and shall forward such certificates to Landlord on or before the earlier of (i) the date on which the subtenant first enters the Premises or (ii) the commencement of the sublease. Tenant shall be responsible for identifying and remedying any deficiencies in such certificates or policy provisions.

8.10 No Violation of Building Policies

Tenant shall not commit or permit any violation of the policies of fire, boiler, sprinkler, water damage or other insurance covering the Complex and/or the fixtures, equipment and property therein carried by Landlord, or do or permit anything to be done, or keep or permit anything to be kept, in the Premises, which in case of any of the foregoing (i) would result in termination of any such policies, (ii) would adversely affect Landlord's right of recovery under any of such policies, or (iii) would result in reputable and independent insurance companies refusing to insure the Complex or the property of Landlord in amounts reasonably satisfactory to Landlord.

8.11 Tenant to Pay Premium Increases

If, because of anything done, caused or permitted to be done, or omitted by Tenant (or its subtenant or other occupants of the Premises), the rates for liability, fire, boiler, sprinkler, water damage or other insurance on the Complex or on the Property and equipment of Landlord or any other tenant or subtenant in the Building shall be higher than they otherwise would be, Tenant shall reimburse Landlord and/or the other tenants and subtenants in the Building for the additional insurance premiums thereafter paid by Landlord or by any of the other tenants and subtenants in the Building which shall have been charged because of the aforesaid reasons, such reimbursement to be made from time to time on Landlord's demand.

8.12 Landlord's Insurance

(a) Required insurance. Landlord shall maintain insurance against loss or damage with respect to the Building on an "all risk" or equivalent type insurance form, with customary exceptions, subject to such deductibles and self insured retentions as Landlord may determine, in an amount equal to at least the replacement value of the Building. Landlord shall also maintain such insurance with respect to any improvements, alterations, and fixtures of Tenant located at the Premises to the extent paid for by Landlord. The cost of such insurance shall be treated as a part of Landlord's Operating Expenses. Payment for losses thereunder shall be made solely to Landlord.

(b) Optional insurance. Landlord may maintain such additional insurance with respect to the Building and the Complex, including, without limitation, earthquake insurance, terrorism insurance, flood insurance, liability insurance and/or rent insurance, as Landlord may in its sole discretion elect. Landlord may also maintain such other insurance as may from time to time be required by the holder of any mortgage on the Building or Property. The cost of all such additional insurance shall also be part of the Landlord's Operating Expenses.

(c) Blanket and self-insurance. Any or all of Landlord's insurance may be provided by blanket coverage maintained by Landlord or any affiliate of Landlord under its insurance

program for its portfolio of properties, or by Landlord or any affiliate of Landlord under a program of self-insurance, and in such event Landlord's Operating Expenses shall include the portion of the reasonable cost of blanket insurance or self-insurance that is allocated to the Building.

(d) No obligation. Landlord shall not be obligated to insure, and shall not assume any liability of risk of loss for, Tenant's Property, including any such property or work of Tenant's subtenants or occupants. Landlord will also have no obligation to carry insurance against, nor be responsible for, any loss suffered by Tenant, subtenants or other occupants due to interruption of Tenant's or any subtenant's or occupant's business.

8.13 Waiver of Subrogation

To the fullest extent permitted by law, and notwithstanding any term or provision of this Lease to the contrary, the parties hereto waive and release any and all rights of recovery against the other, and agree not to seek to recover from the other or to make any claim against the other, and in the case of Landlord, against all Tenant Parties, and in the case of Tenant, against all Landlord Parties, for any loss or damage incurred by the waiving/releasing party to the extent such loss or damage is insured under any insurance policy required by this Lease or which would have been so insured had the party carried the insurance it was required to carry hereunder. Tenant shall obtain from its subtenants and other occupants of the Premises a similar waiver and release of claims against any or all of Tenant or Landlord. In addition, the parties hereto (and in the case of Tenant, its subtenants and other occupants of the Premises) shall procure an appropriate clause in, or endorsement on, any insurance policy required by this Lease pursuant to which the insurance company waives subrogation. The insurance policies required by this Lease shall contain no provision that would invalidate or restrict the parties' waiver and release of the rights of recovery in this section. The parties hereto covenant that no insurer shall hold any right of subrogation against the parties hereto by virtue of such insurance policy.

8.14 Tenant's Work

During such times as Tenant is performing work or having work or services performed in or to the Premises, Tenant shall require its contractors, and their subcontractors of all tiers, to obtain and maintain commercial general liability, automobile, workers compensation, employer's liability, builder's risk, and equipment/property insurance in such amounts and on such terms as are customarily required of such contractors and subcontractors on similar projects. The amounts and terms of all such insurance are subject to Landlord's written approval, which approval shall not be unreasonably withheld. The commercial general liability and auto insurance carried by Tenant's contractors and their subcontractors of all tiers pursuant to this Section 8.14 shall name the Additional Insureds as additional insureds with respect to liability arising out of or related to their work or services. Such insurance shall provide primary coverage without contribution from any other insurance carried by or for the benefit of Landlord, Landlord's managing agent, or other Additional Insureds. Such insurance shall also waive any right of subrogation against each Additional Insured. Tenant shall obtain and submit to Landlord, prior to the earlier of (i) the entry onto the Premises by such contractors or subcontractors or (ii) commencement of the work or services, certificates of insurance evidencing compliance with the requirements of this Section 8.14.

ARTICLE IX

Miscellaneous Provisions

9.1 Waiver

No waiver by Landlord of any condition of this Lease, nor any failure by Tenant to deliver any security deposit, letter of credit, pre-paid rent, financial information, guaranty or other item required upon the execution and delivery of this Lease, shall be construed as excusing satisfaction of any such condition or the delivery of any such item by Tenant, and Landlord reserves the right to declare the failure of Tenant to satisfy any such condition or deliver any such item an Event of Default under this Lease. Further, no waiver at any time of any of the provisions hereof by Landlord or Tenant shall be construed as a waiver of any of the other provisions hereof, and a waiver at any time of any of the provisions hereof shall not be construed as a waiver at any subsequent time of the same provisions. The consent or approval of Landlord or Tenant to or of any action by the other requiring such consent or approval shall not be construed to waive or render unnecessary Landlord's or Tenant's consent or approval to or of subsequent similar act by the other.

No payment by Tenant or acceptance by Landlord, of a lesser amount than shall be due from Tenant to Landlord shall be treated otherwise than as a payment on account. The acceptance by Landlord of a check for a lesser amount with an endorsement or statement thereon, or upon any letter accompanying such check, that such lesser amount is payment in full, shall be given no effect, and Landlord may accept such check without prejudice to any other rights or remedies which Landlord may have against Tenant.

9.2 Cumulative Remedies

Except as expressly provided in this Lease, the specific remedies to which Landlord may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which such party may be lawfully entitled in case of any breach or threatened breach by Tenant of any provisions of this Lease. In addition to the other remedies provided in this Lease, Landlord shall be entitled to the restraint by injunction of the violation or attempted or threatened violation of any of the covenants, conditions or provisions of this Lease or to a decree compelling specific performance of any such covenants, conditions or provisions.

9.3 Quiet Enjoyment

This Lease is subject and subordinate to all matters of record. Tenant, subject to the terms and provisions of this Lease on payment of the rent and observing, keeping and performing all of the terms and provisions of this Lease on Tenant's part to be observed, kept and performed, shall lawfully, peaceably and quietly have, hold, occupy and enjoy the Premises during the Term (exclusive of any period during which Tenant is holding over after the termination or expiration of this Lease without the consent of Landlord), without hindrance or ejection by any persons lawfully claiming under Landlord to have title to the Premises superior to Tenant; the foregoing covenant of quiet enjoyment is in lieu of any other covenant, express or implied; and it is understood and agreed that this covenant and any and all other covenants of Landlord contained in this Lease shall be binding upon Landlord and Landlord's successors, including ground or

master lessees, only with respect to breaches occurring during Landlord's or Landlord's successors' respective ownership of Landlord's interest hereunder, as the case may be.

Further, Tenant specifically agrees to look solely to Landlord's then equity interest in the Building at the time owned, or in which Landlord holds an interest as ground lessee, for recovery of any judgment from Landlord; it being specifically agreed that neither Landlord (original or successor), nor any partner in or of Landlord, nor any beneficiary of any Trust of which any person holding Landlord's interest is trustee, nor any member, manager, partner, director or stockholder, nor Landlord's managing agent, shall ever be personally liable for any such judgment, or for the payment of any monetary obligation to Tenant. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord or Landlord's successors in interest, or any action not involving the personal liability of Landlord (original or successor), any partner in or of Landlord, any successor trustee to the persons named herein as Landlord, or any beneficiary of any trust of which any person holding Landlord's interest is trustee, or of any manager, member, partner, director or stockholder of Landlord or of Landlord's managing agent to respond in monetary damages from Landlord's assets other than Landlord's equity interest aforesaid in the Building, but in no event shall Tenant have the right to terminate or cancel this Lease or to withhold rent or to set-off any claim or damages against rent as a result of any default by Landlord or breach by Landlord of its covenants or any warranties or promises hereunder, except in the case of a wrongful eviction of Tenant from the demised premises (constructive or actual) by Landlord continuing after notice to Landlord thereof and a reasonable opportunity for Landlord to cure the same. In no event shall Landlord or Tenant ever be liable to the other party for any indirect or consequential damages or loss of profits or the like; provided that the foregoing shall not apply to the obligations of Tenant with respect to any hold over by Tenant after the expiration or earlier termination of this Lease. In the event that Landlord shall be determined to have acted unreasonably in withholding any consent or approval under this Lease, the sole recourse and remedy of Tenant in respect thereof shall be to specifically enforce Landlord's obligation to grant such consent or approval, and in no event shall the Landlord be responsible for any damages of whatever nature in respect of its failure to give such consent or approval nor shall the same otherwise affect the obligations of Tenant under this Lease or act as any termination of this Lease.

9.4 Notice to Mortgagee and Ground Lessor

After receiving notice from any person, firm or other entity that it holds a mortgage which includes the Premises as part of the mortgaged premises, or that it is the ground lessor under a lease with Landlord, as ground lessee, which includes the Premises as a part of the demised premises, no notice from Tenant to Landlord shall be effective unless and until a copy of the same is given to such holder or ground lessor, and the curing of any of Landlord's defaults by such holder or ground lessor within a reasonable time thereafter (including a reasonable time to obtain possession of the premises if the mortgagee or ground lessor elects to do so) shall be treated as performance by Landlord. For the purposes of this Section 9.4 or Section 9.14, the term "mortgage" includes a mortgage on a leasehold interest of Landlord (but not one on Tenant's leasehold interest).

9.5 Assignment of Rents

With reference to any assignment by Landlord of Landlord's interest in this Lease, or the rents payable hereunder, conditional in nature or otherwise, which assignment is made to the holder of a mortgage or ground lease on property which includes the Premises, Tenant agrees:

- (a) That the execution thereof by Landlord, and the acceptance thereof by the holder of such mortgage or the ground lessor, shall never be treated as an assumption by such holder or ground lessor of any of the obligations of Landlord hereunder, unless such holder, or ground lessor, shall, by notice sent to Tenant, specifically otherwise elect; and
- (b) That, except as aforesaid, such holder or ground lessor shall be treated as having assumed Landlord's obligations hereunder only upon foreclosure of such holder's mortgage and the taking of possession of the Premises, or, in the case of a ground lessor, the assumption of Landlord's position hereunder by such ground lessor.

In no event shall the acquisition of title to the Building and the land on which the same is located by a purchaser which, simultaneously therewith, leases the entire Building or such land back to the seller thereof be treated as an assumption by such purchaser-lessor, by operation of law or otherwise, of Landlord's obligations hereunder, but Tenant shall look solely to such seller-lessee, and its successors from time to time in title, for performance of Landlord's obligations hereunder subject to the provisions of Section 9.3 hereof. In any such event, this Lease shall be subject and subordinate to the lease to such purchaser provided that such purchaser agrees to recognize the right of Tenant to use and occupy the Premises upon the payment of rent and other charges payable by Tenant under this Lease and the performance by Tenant of Tenant's obligations under this Lease and provided that Tenant agrees to attorn to such purchaser. For all purposes, such seller-lessee, and its successors in title, shall be the landlord hereunder unless and until Landlord's position shall have been assumed by such purchaser-lessor.

9.6 Surrender

No act or thing done by Landlord during the Lease Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid, unless in writing signed by Landlord. No employee of Landlord or of Landlord's agents shall have any power to accept the keys of the Premises prior to the termination of this Lease. The delivery of keys to any employee of Landlord or of Landlord's agents shall not operate as a termination of the Lease or a surrender of the Premises.

9.7 Brokerage

(A) Tenant warrants and represents that Tenant has not dealt with any broker, finder or other agent in connection with the consummation of this Lease other than the Recognized Brokers, if any, designated in Section 1.1 hereof; and in the event any claim is made against the Landlord relative to dealings by Tenant with brokers, finders or other agents other than the Recognized Brokers, if any, designated in Section 1.1 hereof, Tenant shall defend the claim against Landlord with counsel of Tenant's selection first approved by Landlord (which approval will not be

unreasonably withheld) and save harmless and indemnify Landlord on account of loss, cost or damage which may arise by reason of such claim.

(B) Landlord warrants and represents that Landlord has not dealt with any broker, finder or other agent in connection with the consummation of this Lease other than the Recognized Brokers, if any, designated in Section 1.1 hereof; and in the event any claim is made against the Tenant relative to dealings by Landlord with brokers, finders or other agents other than the Recognized Brokers, if any, designated in Section 1.1 hereof, Landlord shall defend the claim against Tenant with counsel of Landlord's selection first approved by Tenant (which approval will not be unreasonably withheld) and save harmless and indemnify Tenant on account of loss, cost or damage which may arise by reason of such claim. Landlord agrees that it shall be solely responsible for the payment of brokerage commissions to the Recognized Brokers for the Original Term of this Lease, if any, designated in Section 1.1 hereof.

9.8 Invalidity of Particular Provisions

If any term or provision of this Lease, including but not limited to any waiver of contribution or claims, indemnity, obligation, or limitation of liability or of damages, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

9.9 Provisions Binding, Etc

The obligations of this Lease shall run with the land, and except as herein otherwise provided, the terms hereof shall be binding upon and shall inure to the benefit of the successors and assigns, respectively, of Landlord and Tenant and, if Tenant shall be an individual, upon and to his heirs, executors, administrators, successors and assigns. Each term and each provision of this Lease to be performed by Tenant shall be construed to be both a covenant and a condition. The reference contained to successors and assigns of Tenant is not intended to constitute a consent to subletting or assignment by Tenant.

9.10 Recording; Confidentiality

Tenant agrees not to record the within Lease, but each party hereto agrees, on the request of the other, to execute a so-called Notice of Lease or short form lease in form recordable and complying with applicable law and reasonably satisfactory to both Landlord's and Tenant's attorneys. In no event shall such document set forth rent or other charges payable by Tenant under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease, and is not intended to vary the terms and conditions of this Lease.

Tenant agrees that this Lease and the terms contained herein will be treated as strictly confidential and except as required by law (or except with the written consent of Landlord) Tenant shall not disclose the same to any third party except for Tenant's partners, lenders, accountants and attorneys who have been advised of the confidentiality provisions contained herein and agree to be bound by the same. In the event Tenant is required by law to provide this

Lease or disclose any of its terms, Tenant shall give Landlord prompt notice of such requirement prior to making disclosure so that Landlord may seek an appropriate protective order. If failing the entry of a protective order Tenant is compelled to make disclosure, Tenant shall only disclose portions of the Lease which Tenant is required to disclose and will exercise reasonable efforts to obtain assurance that confidential treatment will be accorded to the information so disclosed.

9.11 Notices

Whenever, by the terms of this Lease, notice shall or may be given either to Landlord or to Tenant, such notice shall be in writing and shall be sent by overnight commercial courier or by registered or certified mail postage or delivery charges prepaid, as the case may be:

If intended for Landlord, addressed to Landlord at the address set forth in Article I of this Lease (or to such other address or addresses as may from time to time hereafter be designated by Landlord by like notice) with a copy to Landlord, Attention: Regional General Counsel.

If intended for Tenant, addressed to Tenant at the address set forth in Article I of this Lease except that from and after the Commencement Date the address of Tenant shall be the Premises (or to such other address or addresses as may from time to time hereafter be designated by Tenant by like notice).

Except as otherwise provided herein, all such notices shall be effective when received; provided, that (i) if receipt is refused, notice shall be effective upon the first occasion that such receipt is refused, (ii) if the notice is unable to be delivered due to a change of address of which no notice was given, notice shall be effective upon the date such delivery was attempted, (iii) if the notice address is a post office box number, notice shall be effective the day after such notice is sent as provided hereinabove or (iv) if the notice is to a foreign address, notice shall be effective two (2) days after such notice is sent as provided hereinabove.

Where provision is made for the attention of an individual or department, the notice shall be effective only if the wrapper in which such notice is sent is addressed to the attention of such individual or department.

Any notice given by an attorney on behalf of Landlord or by Landlord's managing agent shall be considered as given by Landlord and shall be fully effective. Any notice given by an attorney on behalf of Tenant shall be considered as given by Tenant and shall be fully effective.

Time is of the essence with respect to any and all notices and periods for giving notice or taking any action thereto under this Lease.

9.12 When Lease Becomes Binding and Authority

Employees or agents of Landlord have no authority to make or agree to make a lease or any other agreement or undertaking in connection herewith. The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises, and this document shall become effective and binding only upon the execution

and delivery hereof by both Landlord and Tenant. All negotiations, considerations, representations and understandings between Landlord and Tenant are incorporated herein and may be modified or altered only by written agreement between Landlord and Tenant, and no act or omission of any employee or agent of Landlord shall alter, change or modify any of the provisions hereof. Landlord and Tenant hereby represent and warrant to the other that all necessary action has been taken to enter this Lease and that the person signing this Lease on behalf of Landlord and Tenant has been duly authorized to do so.

9.13 Section Headings

The titles of the Articles throughout this Lease are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Lease.

9.14 Rights of Mortgagee

This Lease shall be subject and subordinate to any mortgage now or hereafter on the Site or the Building, or both, 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 provided that the holder of such mortgage agrees to recognize the rights of Tenant under this Lease (including the right to use and occupy the Premises) upon the payment of rent and other charges payable by Tenant under this Lease and the performance by Tenant of Tenant's obligations hereunder in which event Tenant shall agree to attorn to such holder and its successors as landlord. In confirmation of such subordination and recognition, Tenant shall execute and deliver promptly such instruments of subordination and recognition as such mortgagee may reasonably request subject to receipt of such instruments of recognition from such mortgagee as Tenant may reasonably request (Tenant hereby agreeing to pay any legal or other fees charged by the mortgagee in connection with providing the same). Tenant hereby appoints such mortgagee (from time to time) as Tenant's attorney-in-fact to execute such subordination upon default of Tenant in complying with such mortgagee's (from time to time) request. In the event that any mortgagee or its respective successor in title shall succeed to the interest of Landlord, then, this Lease shall nevertheless continue in full force and effect and Tenant shall and does hereby agree to attorn to such mortgagee or successor and to recognize such mortgagee or successor as its landlord. If any holder of a mortgage which includes the Premises, executed and recorded prior to the date of this Lease, shall so elect, this Lease and the rights of Tenant hereunder, shall be superior in right to the rights of such holder, with the same force and effect as if this Lease had been executed, delivered and recorded, or a statutory notice hereof recorded, prior to the execution, delivery and recording of any such mortgage. The election of any such holder shall become effective upon either notice from such holder to Tenant in the same fashion as notices from Landlord to Tenant are to be given hereunder or by the recording in the appropriate registry or recorder's office of an instrument in which such holder subordinates its rights under such mortgage to this Lease.

If in connection with obtaining financing a bank, insurance company, pension trust or other institutional lender shall request reasonable modifications in this Lease as a condition to such financing, Tenant will not unreasonably withhold, delay or condition its consent thereto, provided that such modifications do not increase the monetary obligations of Tenant hereunder or materially adversely affect the leasehold interest hereby created.

9.15 Status Reports and Financial Statements

Recognizing that Landlord may find it necessary to establish to third parties, such as accountants, banks, potential or existing mortgagees, potential purchasers or the like, the then current status of performance hereunder, Tenant, on the request of Landlord made from time to time, will promptly furnish to Landlord, or any existing or potential holder of any mortgage encumbering the Premises, the Building, the Site and/or the Complex or any potential purchaser of the Premises, the Building, the Site and/or the Complex, (each an "Interested Party"), a statement of the status of any matter pertaining to this Lease, including, without limitation, acknowledgments that (or the extent to which) each party is in compliance with its obligations under the terms of this Lease. In addition, Tenant shall deliver to Landlord, or any Interested Party designated by Landlord, financial statements of Tenant and any guarantor of Tenant's obligations under this Lease, as reasonably requested by Landlord, including, but not limited to financial statements for the past three (3) years. For so long as Tenant is a publicly-traded entity, such statements may be made available online at www.sec.gov. Any such status statement or financial statement delivered by Tenant pursuant to this Section 9.15 (or any financial statement otherwise delivered by Tenant in connection with this Lease or any future amendment hereto) may be relied upon by any Interested Party.

9.16 Self-Help

If Tenant shall at any time default in the performance of any obligation under this Lease (although notice and cure shall not be required either in an emergency or where Tenant has alleged in written notice to Landlord that an unsafe or dangerous condition exists), Landlord shall have the right, but shall not be obligated, to enter upon the Premises and to perform such obligation notwithstanding the fact that no specific provision for such substituted performance by Landlord is made in this Lease with respect to such default. In performing such obligation, Landlord may make any payment of money or perform any other act. All sums so paid by Landlord (together with interest at the rate of one and one-half percentage points over the then prevailing prime rate in Boston as set by Bank of America, N.A., or its successor (but in no event greater than the maximum rate permitted by applicable law)) and all costs and expenses in connection with the performance of any such act by Landlord, shall be deemed to be Additional Rent under this Lease and shall be payable to Landlord immediately on demand. Landlord may exercise the foregoing rights without waiving any other of its rights or releasing Tenant from any of its obligations under this Lease.

9.17 Holding Over

Any holding over by Tenant after the expiration of the term of this Lease shall be treated as a tenancy at sufferance and shall be on the terms and conditions as set forth in this Lease, as far as applicable except that Tenant shall pay as a use and occupancy charge an amount equal to the greater of (x) 150% of the Annual Fixed Rent and Additional Rent calculated (on a daily basis) at the rate last due and payable under the terms of this Lease, or (y) the fair market rental value of the Premises, in each case for the period measured from the day on which Tenant's hold-over commences and terminating on the day on which Tenant vacates the Premises. In addition, Tenant shall save Landlord, its agents and employees harmless and will exonerate, defend and indemnify Landlord, its agents and employees from and against any and all damages which

Landlord may suffer on account of Tenant's hold-over in the Premises after the expiration or prior termination of the term of this Lease. Nothing in the foregoing nor any other term or provision of this Lease shall be deemed to permit Tenant to retain possession of the Premises or hold over in the Premises after the expiration or earlier termination of the Lease Term. All property which remains in the Building or the Premises after the expiration or termination of this Lease shall be conclusively deemed to be abandoned and may either be retained by Landlord as its property or sold or otherwise disposed of in such manner as Landlord may see fit. If any part thereof shall be sold, then Landlord may receive the proceeds of such sale and apply the same, at its option against the expenses of the sale, the cost of moving and storage, any arrears of rent or other charges payable hereunder by Tenant to Landlord and any damages to which Landlord may be entitled under this Lease and at law and in equity.

9.18 Security Deposit

It is acknowledged and agreed that Landlord, as licensor under the License Agreement, is currently holding a security deposit in the amount of \$50,000.00 pursuant to the terms and conditions of Section 5 of the License Agreement. Notwithstanding anything contained in the License Agreement to the contrary, it is further acknowledged and agreed that Landlord shall not be required to return such security deposit to Tenant upon the expiration of the License Agreement but instead that Landlord shall hold the same, throughout the term of this Lease, 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 without prejudice to any other remedy Landlord may have on account thereof, to apply such deposit, or any part thereof, to Landlord's damages arising from any default, beyond applicable notice and cure periods, on the part of Tenant. If Landlord so applies all or any portion of such deposit, Tenant shall within ten (10) days after notice from Landlord deliver cash to Landlord in an amount sufficient to restore such deposit to the full amount stated in Section 1.1. Tenant not then being in default beyond applicable notice and cure periods and having performed all of its obligations under this Lease, including the payment of all Annual Fixed Rent, Landlord shall return the deposit, or so much thereof as shall not have theretofore been applied in accordance with the terms of this Section 9.18, to Tenant on the expiration or earlier termination of the term of this Lease and surrender possession of the Premises by Tenant to Landlord in the condition required in the Lease at such time. While Landlord holds such deposit, Landlord shall have no obligation to pay interest on the same and shall have the right to commingle the same with Landlord's other funds. If Landlord conveys Landlord's interest under this Lease, the deposit, or any part thereof not previously applied, may be turned over by Landlord to Landlord's grantee, and, if so turned over, Tenant agrees to look solely to such grantee for proper application of the deposit in accordance with the terms of this Section 9.18, and the return thereof in accordance herewith.

Neither the holder of any mortgage nor the lessor in any ground lease on property which includes the Premises shall ever be responsible to Tenant for the return or application of any such deposit, whether or not it succeeds to the position of Landlord hereunder, unless such deposit shall have been received in hand by such holder or ground lessor.

9.19 Late Payment

If Landlord shall not have received any payment or installment of Annual Fixed Rent or Additional Rent (the "Outstanding Amount") on or before the date on which the same first

becomes payable under this Lease (the "Due Date"), the amount of such payment or installment shall incur a late charge equal to the sum of: (a) five percent (5%) of the Outstanding Amount for administration and bookkeeping costs associated with the late payment and (b) interest on the Outstanding Amount from the Due Date through and including the date such payment or installment is received by Landlord, at a rate equal to the lesser of (i) the rate announced by Bank of America, N.A., (or its successor) from time to time as its prime or base rate (or if such rate is no longer available, a comparable rate reasonably selected by Landlord), plus two percent (2%), or (ii) the maximum applicable legal rate, if any. Such interest shall be deemed Additional Rent and shall be paid by Tenant to Landlord upon demand.

9.20 Tenant's Payments

Each and every payment and expenditure, other than Annual Fixed Rent, shall be deemed to be Additional Rent hereunder, whether or not the provisions requiring payment of such amounts specifically so state, and shall be payable, unless otherwise provided in this Lease, within ten (10) days after written demand by Landlord and delivery of reasonable supporting documentation evidencing the amounts being charged (it being acknowledged and agreed that such documentation may be provided via an online work order approval system), and in the case of the non-payment of any such amount, Landlord shall have, in addition to all of its other rights and remedies, all the rights and remedies available to Landlord hereunder or by law in the case of non-payment of Annual Fixed Rent. Unless expressly otherwise provided in this Lease, the performance and observance by Tenant of all the terms, covenants and conditions of this Lease to be performed and observed by Tenant shall be at Tenant's sole cost and expense. Except as provided in Section 2.6.2 above with respect to Tenant's right to audit Landlord's Operating Expenses, if Tenant has not objected to any statement of Additional Rent which is rendered by Landlord to Tenant within ninety (90) days after Landlord has rendered the same to Tenant, then the same shall be deemed to be a final account between Landlord and Tenant not subject to any further dispute. In the event that Tenant shall seek Landlord's consent or approval under this Lease, then Tenant shall reimburse Landlord, upon demand, as Additional Rent, for all reasonable costs and expenses, including legal and architectural costs and expenses, incurred by Landlord in processing such request, whether or not such consent or approval shall be given provided, however, that except to the extent specifically provided to the contrary elsewhere in this Lease, such costs and expenses shall not exceed \$5,000.00 without Tenant's prior written consent (not to be unreasonable withheld, conditioned or delayed). Notwithstanding anything in this Lease to the contrary, if Landlord or any affiliate of Landlord has elected to qualify as a real estate investment trust ("REIT"), any service required or permitted to be performed by Landlord pursuant to this Lease, the charge or cost of which may be treated as impermissible tenant service income under the laws governing a REIT, may be performed by a taxable REIT subsidiary that is affiliated with either Landlord or Landlord's property manager, an independent contractor of Landlord or Landlord's property manager (the "Service Provider"). If Tenant is subject to a charge under this Lease for any such service, then, at Landlord's direction, Tenant will pay such charge either to Landlord for further payment to the Service Provider or directly to the Service Provider, and, in either case, (i) Landlord will credit such payment against Additional Rent due from Tenant under this Lease for such service, and (ii) such payment to the Service Provider will not relieve Landlord from any obligation under the Lease concerning the provisions of such service.

9.21 Waiver of Trial by Jury

To induce Landlord to enter into this Lease, Tenant hereby waives any right to trial by jury in any action, proceeding or counterclaim brought by either Landlord or Tenant on any matters whatsoever arising out of or any way connected with this Lease, the relationship of the Landlord and the Tenant, the Tenant's use or occupancy of the Premises and/or any claim of injury or damage, including but not limited to, any summary process eviction action.

9.22 Electronic Signatures

The parties acknowledge and agree that this Lease may be executed by electronic signature, which shall be considered as an original signature for all purposes and shall have the same force and effect as an original signature. Without limitation, "electronic signature" shall include faxed versions of an original signature or electronically scanned and transmitted versions (e.g., via pdf) of an original signature.

9.23 Governing Law

This Lease shall be governed exclusively by the provisions hereof and by the law of the Commonwealth of Massachusetts, as the same may from time to time exist.

[signatures on next page]

EXECUTED in two or more counterparts each of which shall be deemed to be an original.

WITNESS:

/s/ SA Baker

LANDLORD:

91 HARTWELL AVENUE TRUST

/s/ David C. Provost

David C. Provost, For the Trustees of 91 Hartwell Avenue Trust, Pursuant to Written Delegation, but not individually

WITNESS:

/s/ Michael Gibbs

TENANT:

T2 BIOSYSTEMS, INC.

By: /s/ John McDonough

Name: John McDonough

Title: President and CEO

Hereunto duly authorized

EXHIBIT A

DESCRIPTION OF SITE

That certain parcel of land situate in Lexington in the County of Middlesex and Commonwealth of Massachusetts, described as follows:

SOUTHEASTERLY	by Hartwell Avenue, two hundred thirty-seven and 47/100 feet;
SOUTHEASTERLY	by a curving line forming the junction of said Hartwell Avenue and Hartwell Place, as shown on plan hereinafter mentioned, thirty-nine and 27/100 feet;
SOUTHWESTERLY	five hundred thirty-two and 23/100 feet, and
SOUTHWESTERLY, SOUTHERLY and SOUTHEASTERLY	one hundred ninety and 25/100 feet, by said Hartwell Place;
SOUTHERLY	by lot 9 on said plan, three hundred seventy-four and 57/100 feet;
SOUTHWESTERLY	three hundred sixty-seven and 65/100 feet;
NORTHWESTERLY	thirty-one and 12/100 feet, and
NORTHWESTERLY	again, eight hundred ninety and 63/100 feet, by land now or formerly of The United States of America;
NORTHEASTERLY	by said United States of America land and by land now or formerly of John W. O'Connor et al, nine hundred thirty-three and 87/100 feet.

Said parcel is shown as lot 10 on said plan, (Plan No.31330D).

All of said boundaries are determined by the Court to be located as shown on a subdivision plan, as approved by the Court, filed in the Land Registration Office, a copy of which is filed in the Registry of Deeds for the South Registry District of Middlesex County in Registration Book 835, Page 146, with Certificate 141096.

The above described land is subject to and has the benefit of the ditches as approximately shown on said plan at date of original decree, (May 17, 1963).

So much of the above described land as is included within the area marked "Tennessee Gas Transmission Company Easement 30' wide" is subject to the easements set forth in a taking by the Northeastern Gas Transmission Company, dated July 13, 1951 and duly recorded in Book 7772, Page 162.

The above described land is subject to an Avigation Easement set forth in a Declaration of Taking by the United States of America dated February 12, 1954 recorded with the Middlesex South District Registry of Deeds in Book 8219, Page 421 and more particularly shown as "Avigation Easement A-130E-1" on Plan No. 31330-D (referred to above).

The above described land is subject to an Order by the Town of Lexington for construction of water main in Hartwell Avenue, Document No. 461902 as affected by Certificate for Dissolving Betterments filed as Document No. 499500.

The above described land is subject to a Grant of Easement from Wilbur C. Nylander et al Trs. to the Town of Lexington to construct and maintain sewer in Hartwell Place, Document No. 508567.

The above described land is subject to a grant of Easement over 20 feet wide drain easement (i) for the benefit of lot 9 in common with others entitled thereto, set forth in Document 511666 and (ii) set forth in Document No. 479843 for the benefit of lot 7 shown on plan recorded with said Document No. 479843.

The above described land is subject to a Taking of easement by the Town of Lexington in Hartwell Place, Document No. 544200.

The above described land is subject to and has the benefit of a Grant of Easement and Reservation from Wilbur C. Nylander et al Trs. to the Town of Lexington for conservation purposes, Document No. 616453.

The above described land is subject to and has the benefit of the following:

- A. Order of Conditions issued by the Town of Lexington Conservation Commission filed as Document No. 616456 as extended by Extension Permits issued by said Conservation Commission filed as Document Nos. 627154, 635069, 655552 and 669180.
- B. Decision of the Town of Lexington Board of Appeals filed as Document No. 616457.
- C. Decision of the Town of Lexington Board of Appeals filed as Document No. 616458.
- D. Decision of the Town of Lexington Board of Appeals filed as Document No. 616459.
- E. Decision of the Town of Lexington Board of Appeals filed as Document No. 634489.

- F. Decision of the Town of Lexington Board of Appeals filed as Document No. 646344.
- G. Decision of the Town of Lexington Board of Appeals filed as Document No. 646345.
- H. Decision of the Town of Lexington Board of Appeals filed as Document No. 646346.

The above described land is subject to an Easement granted to Boston Edison Company filed as Document No. 672152.

The above described land is subject to such other easements, agreements and matters of record, if any, insofar as in force and applicable.

Page 3
Exhibit A

91 Hartwell Avenue\Leases\T2 Biosystems(B)

EXHIBIT B

1.1 Condition of Premises

It is acknowledged and agreed that Tenant is currently in possession of the Premises, and shall accept the same in their as-is condition without any obligation on the Landlord's part to perform any additions, alterations, improvements, demolition or other work therein or pertaining thereto.

1.2 Quality and Performance of Work

All construction work required or permitted by the Lease shall be done in a good and workmanlike manner and in compliance with all applicable laws, ordinances, rules, regulations, statutes, by-laws, court decisions, and orders and requirements of all public authorities ("Legal Requirements") and all Insurance Requirements (as defined in Section 5.12 of the Lease). All of Tenant's work shall be coordinated with any work being performed by or for Landlord and in such manner as to maintain harmonious labor relations. Each party may inspect the work of the other at reasonable times and shall promptly give notice of observed defects. Each party authorizes the other to rely in connection with design and construction upon approval and other actions on the party's behalf by any Construction Representative of the party named in Section 1.1 of the Lease or any person hereafter designated in substitution or addition by notice to the party relying.

EXHIBIT C

LANDLORD SERVICES

I. CLEANING

Cleaning and janitorial services shall be provided as needed Monday through Friday, exclusive of holidays observed by cleaning company and Saturdays and Sundays.

A. OFFICE AREAS

Cleaning and janitorial services to be provided in the office areas shall include:

1. Vacuuming, damp mopping of resilient floors and trash removal.
2. Dusting of horizontal surfaces within normal reach (tenant equipment to remain in place).
3. High dusting and dusting of vertical blinds to be rendered as needed.

B. LAVATORIES

Cleaning and janitorial services to be provided in the common area lavatories of the building shall include:

1. Dusting, damp mopping of resilient floors, trash removal, sanitizing of basins, bowls and urinals as well as cleaning of mirrors and bright work.
2. Refilling of soap, towel, tissue and sanitary dispensers to be rendered as necessary.
3. High dusting to be rendered as needed.

C. MAIN LOBBIES, ELEVATORS, STAIRWELLS AND COMMON CORRIDORS

Cleaning and janitorial services to be provided in the common areas of the building shall include:

1. Trash removal, vacuuming, dusting and damp mopping of resilient floors and cleaning and sanitizing of water fountains.
2. High dusting to be rendered as needed.

D. WINDOW CLEANING

All exterior windows shall be washed on the inside and outside surfaces at frequency necessary to maintain a first class appearance.

II. HVAC

- A. Heating, ventilating and air conditioning equipment will be provided with sufficient capacity to accommodate a maximum population density of one (1) person per one hundred fifty (150) square feet of useable floor area served, and a combined lighting and standard electrical load of 3.0 watts per square foot of useable floor area. In the event Tenant introduces into the Premises personnel or equipment which overloads the system's ability to adequately perform its proper functions, Landlord shall so notify Tenant in writing and supplementary system(s) may be required and installed by Landlord at Tenant's expense, if within fifteen (15) days Tenant has not modified its use so as not to cause such overload.

Operating criteria of the basic system shall not be less than the following:

- (i) Cooling season indoor temperature of not in excess of 73 - 79 degrees Fahrenheit when outdoor temperature is 91 degrees Fahrenheit ambient.
 - (ii) Heating season minimum room temperature of 68 - 75 degrees Fahrenheit when outdoor temperature is 6 degrees Fahrenheit ambient.
- B. Landlord shall provide heating, ventilating and air conditioning as normal seasonal changes may require during the hours of 8:00 a.m. to 6:00 p.m. Monday through Friday (legal holidays in all cases excepted).

If Tenant shall require air conditioning (during the air conditioning season) or heating or ventilating during any other time period, Landlord shall use landlord's best efforts to furnish such services for the area or areas specified by written request of Tenant delivered to the Building Superintendent or the Landlord before 3:00 p.m. of the business day preceding the extra usage. Landlord shall charge Tenant for such extra-hours usage at reasonable rates customary for first-class office buildings in the Boston Suburban market, and Tenant shall pay Landlord, as Additional Rent, upon receipt of billing therefor.

III. ELECTRICAL SERVICES

- A. Landlord shall provide electric power for a combined load of 3.0 watts per square foot of useable area for lighting and for office machines through standard receptacles for the typical office space.
- B. In the event that Tenant has special equipment (such as computers and reproduction equipment) that requires either 3-phase electric power or any voltage other than 120 volts, or for any other usage, Landlord may at its option require the installation of separate metering (Tenant being solely responsible for the costs of any such separate meter and the installation thereof) and direct billing to Tenant for the electric power required for any such special equipment.
- C. Landlord will furnish and install, at Tenant's expense, all replacement lighting tubes, lamps and ballasts required by Tenant.

IV. ELEVATORS

Provide passenger elevator service.

V. WATER

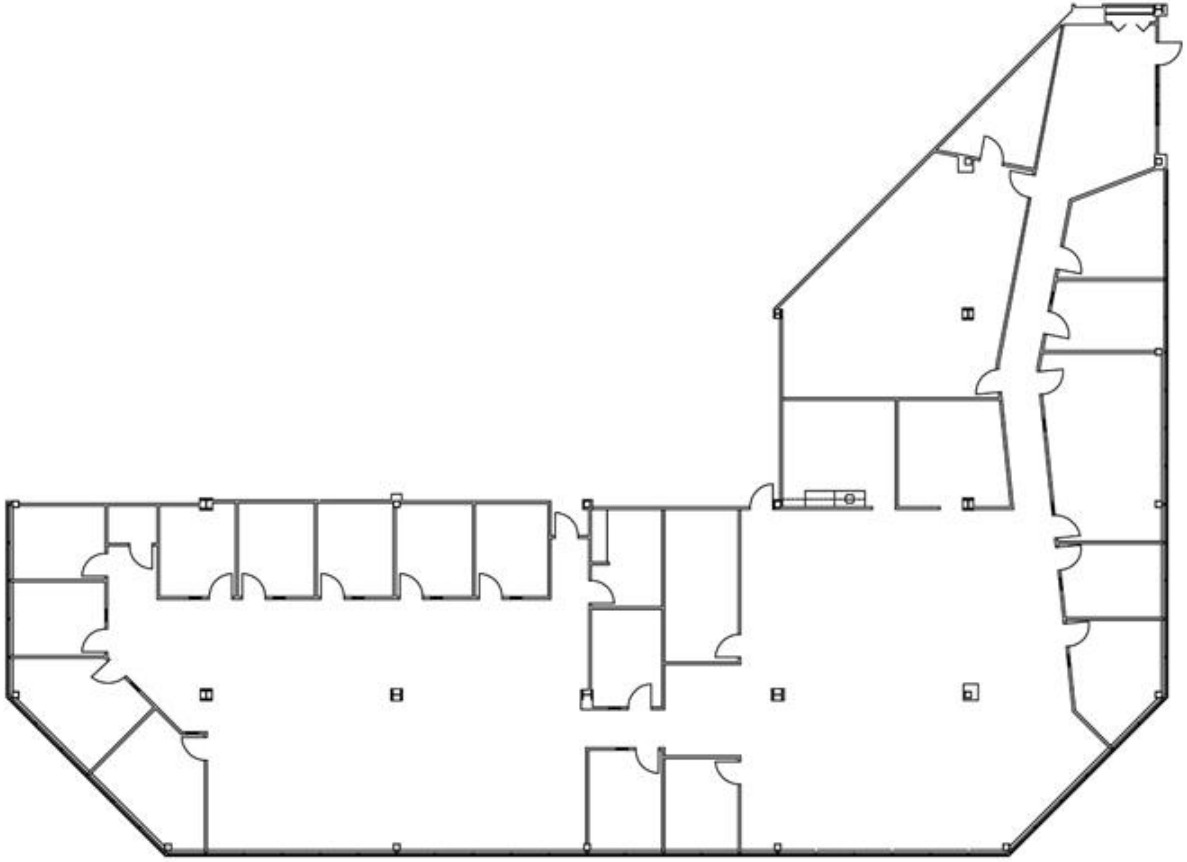
Provide tempered water for lavatory purposes and cold water for drinking, lavatory and toilet purposes.

VI. CARD ACCESS SYSTEM

Landlord will provide a card access system at one entry door of the building.

EXHIBIT D

FLOOR PLAN



Page 1
Exhibit D

91 Hartwell Avenue\Leases\T2 Biosystems(B)

EXHIBIT E

FORM OF CERTIFICATE OF INSURANCE



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER, CONTACT NAME, PHONE, FAX, E-MAIL ADDRESS, INSURER(S) AFFORDING COVERAGE, NAIC #, INSURED SAMPLE, INSURER A: through INSURER F:

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

Table with columns: INSR LTR, TYPE OF INSURANCE, ADDL INSR, SUBR RVR, POLICY NUMBER, POLICY EFF (MM/DD/YYYY), POLICY EXP (MM/DD/YYYY), LIMITS. Rows include Commercial General Liability, Automobile Liability, Umbrella Liability, and Workers Compensation and Employers' Liability.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER, CANCELLATION, SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE of Marsh USA Inc.

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ACORD 25 (2014/01)

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EVIDENCE OF PROPERTY INSURANCE

DATE (MMDDYYYY)

THIS EVIDENCE OF PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

AGENCY	PHONE (A/C No. Ext):	COMPANY	
FAX (A/C No):	EMAIL ADDRESS:		
CODE:	SUB CODE:		
AGENCY CUSTOMER ID #:		LOAN NUMBER	POLICY NUMBER
INSURED		EFFECTIVE DATE	EXPIRATION DATE
Enter text: The named insured(s) as it/they will appear on the policy declarations page.		CONTINUED UNTIL TERMINATED IF CHECKED	
		<input type="checkbox"/>	
<input type="checkbox"/> REPLACES PRIOR EVIDENCE DATED:			

PROPERTY INFORMATION

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE

REMARKS (Including Special Conditions)

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

NAME AND ADDRESS	<input type="checkbox"/>	MORTGAGEE	<input type="checkbox"/>	ADDITIONAL INSURED
	<input type="checkbox"/>	LOSS PAYEE	<input type="checkbox"/>	
	LOAN #			
	AUTHORIZED REPRESENTATIVE			

ACORD 27 (2009/12)

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

I, John McDonough, 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 McDonough

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

Date: November 3, 2017

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

I, Darlene Deptula-Hicks, 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/ Darlene Deptula-Hicks

Darlene Deptula-Hicks
SVP and Chief Financial Officer
(principal accounting and financial officer)

Date: November 3, 2017

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, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John McDonough, 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 McDonough

John McDonough

President and Chief Executive Officer

(principal executive officer)

Date: November 3, 2017

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, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darlene Deptula-Hicks, 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/ Darlene Deptula-Hicks

Darlene Deptula-Hicks

Chief Financial Officer

(principal accounting officer and financial officer)

Date: November 3, 2017

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.