# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, DC. 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, 2014**

**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 0-19437**

# TRANSENTERIX, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **11-2962080**<br>**(I.R.S. employer identification no.)** |
| **635 Davis Drive, Suite 300, Morrisville, NC**<br>**(Address of principal executive offices)** | **27560**<br>**(Zip code)** |

**Registrant's telephone number, including area code: (919) 765-8400**

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☒ |

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

63,163,482 shares of the Company's common stock, par value $0.001 per share, were outstanding as of November 5, 2014.

**TRANSENTERIX, INC.**

**TABLE OF CONTENTS FOR FORM 10-Q**



FORWARD-LOOKING STATEMENTS

In addition to historical financial information, this report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that concern matters that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this report, including statements regarding future events, our future financial performance, our future business strategy and the plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should" or "will" or the negative of these terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by us, which attempt to advise interested parties of the risks, uncertainties, and other factors that affect our business, operating results, financial condition and stock price, including without limitation the disclosures made under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Financial Statements" and "Notes to Consolidated Financial Statements" in this report, as well as the disclosures made in the TransEnterix, Inc. Annual Report on Form 10-K for the year ended December 31, 2013 filed on March 5, 2014 and the Form 10-K/A filed on April 2, 2014, and other filings we make with the Securities and Exchange Commission. Furthermore, such forward-looking statements speak only as of the date of this report. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations except as required by applicable law. References in this report to "we", "our", "us", or the "Company" refer to TransEnterix, Inc. and the combined enterprise of SafeStitch Medical, Inc. and TransEnterix Surgical, Inc.

Table of Contents

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements.

**TransEnterix, Inc.**

**Consolidated Statements of Operations and Comprehensive Loss**

**(in thousands, except per share amounts)**

**(Unaudited)**

| | Three months ended September 30, 2014 | Three months ended September 30, 2013 | Nine months ended September 30, 2014 | Nine months ended September 30, 2013 |
|---|---|---|---|---|
| Sales | $ 61 | $ 362 | $ 267 | $ 1,212 |
| Operating Expenses | | | | |
| Cost of goods sold | 202 | 2,058 | 660 | 4,096 |
| Research and development | 9,067 | 2,909 | 21,960 | 7,855 |
| Sales and marketing | 456 | 438 | 1,323 | 1,490 |
| General and administrative | 1,606 | 1,278 | 5,133 | 2,665 |
| Merger expenses | — | 2,891 | — | 2,891 |
| Total Operating Expenses | 11,331 | 9,574 | 29,076 | 18,997 |
| Operating Loss | (11,270) | (9,212) | (28,809) | (17,785) |
| Other Expense | | | | |
| Remeasurement of fair value of preferred stock warrant liability | — | (1,800) | — | (1,800) |
| Interest expense, net | (237) | (253) | (764) | (742) |
| Total Other Expense, net | (237) | (2,053) | (764) | (2,542) |
| Net Loss | $(11,507) | $(11,265) | $(29,573) | $(20,327) |
| Other comprehensive income (loss) | — | — | — | — |
| Comprehensive loss | $(11,507) | $(11,265) | $(29,573) | $(20,327) |
| Net loss per share - basic and diluted | $ (0.18) | $ (1.06) | $ (0.52) | $ (4.75) |
| Weighted average common shares outstanding - basic and diluted | 63,068 | 10,584 | 57,212 | 4,282 |

*See accompanying notes to consolidated financial statements.*

Table of Contents

**TransEnterix, Inc.**

**Consolidated Balance Sheets**

**(in thousands, except share amounts)**

| | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | $ 44,344 | $ 10,014 |
| Short-term investments | — | 6,191 |
| Accounts receivable, net | 38 | 188 |
| Interest receivable | — | 68 |
| Inventory, net | 267 | 701 |
| Other current assets | 833 | 593 |
| Total Current Assets | 45,482 | 17,755 |
| Restricted cash | 250 | 375 |
| Property and equipment, net | 2,901 | 1,864 |
| Intellectual property, net | 2,366 | 2,741 |
| Trade names, net | 8 | 10 |
| Goodwill | 93,842 | 93,842 |
| Other long term assets | 71 | 127 |
| Total Assets | $ 144,920 | $ 116,714 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | $ 3,265 | $ 1,804 |
| Accrued expenses | 1,756 | 1,406 |
| Note payable - current portion | — | 3,879 |
| Total Current Liabilities | 5,021 | 7,089 |
| Long Term Liabilities | | |
| Note payable - less current portion, net of debt discount | 9,871 | 4,602 |
| Total Liabilities | 14,892 | 11,691 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Preferred stock, $0.01 par value, 25,000,000 shares authorized at September 30, 2014 and December 31, 2013, no shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively | — | — |
| Common stock $0.001 par value, 750,000,000 shares authorized at September 30, 2014 and December 31, 2013; 63,096,816 and 48,841,417 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively(1) | 63 | 49 |
| Additional paid-in capital | 257,802 | 203,238 |
| Accumulated deficit | (127,837) | (98,264) |
| Total Stockholders' Equity | 130,028 | 105,023 |
| Total Liabilities and Stockholders' Equity | $ 144,920 | $ 116,714 |

*See accompanying notes to consolidated financial statements.*

(1) Adjusted for 1:5 reverse stock split on March 31, 2014.

**TransEnterix, Inc.**

**Consolidated Statements of Cash Flows**

**(in thousands)**

**(Unaudited)**

| | Nine Months Ended September 30, 2014 | 2013 |
|---|---|---|
| Operating Activities | | |
| Net loss | $(29,573) | $(20,327) |
| Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities: | | |
| Depreciation and amortization | 936 | 1,064 |
| Amortization of debt issuance costs | 56 | 78 |
| Remeasurement of fair value of preferred stock warrant liability | — | 1,800 |
| Stock-based compensation | 2,018 | 484 |
| Accretion of bond discount | — | (1) |
| Loss on disposal of property and equipment | 5 | 32 |
| Impairment loss on property and equipment | — | 304 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 150 | 251 |
| Interest receivable | 68 | 6 |
| Inventory | 434 | 667 |
| Other current and long term assets | (240) | (527) |
| Restricted cash | 125 | — |
| Accounts payable | 1,461 | 1,617 |
| Accrued expenses | 350 | 505 |
| Net cash and cash equivalents used in operating activities | (24,210) | (14,047) |
| Investing Activities | | |
| Purchase of investments | — | (1,104) |
| Proceeds from sale and maturities of investments | 6,191 | 907 |
| Proceeds from sale of property and equipment | 25 | — |
| Cash received in acquisition of a business, net of cash paid | — | 305 |
| Purchase of property and equipment | (1,626) | (724) |
| Net cash and cash equivalents provided by (used in) investing activities | 4,590 | (616) |
| Financing Activities | | |
| Payment of debt | (2,877) | (601) |
| Proceeds from the issuance of common stock, net of issuance costs | 52,433 | — |
| Proceeds from issuance of debt, net of debt discount | 4,321 | 1,998 |
| Proceeds from issuance of preferred stock, net of issuance costs | — | 28,199 |
| Proceeds from exercise of stock options and warrants | 73 | — |
| Net cash and cash equivalents provided by financing activities | 53,950 | 29,596 |
| Net increase in cash and cash equivalents | 34,330 | 14,933 |
| Cash and Cash Equivalents, beginning of period | 10,014 | 8,896 |
| Cash and Cash Equivalents, end of period | $ 44,344 | $ 23,829 |
| Supplemental Disclosure for Cash Flow Information | | |
| Interest paid | $ 518 | $ 625 |
| Supplemental Schedule of Noncash Investing and Financing Activities | | |
| Issuance of preferred stock warrants and debt issuance costs | $ — | $ 128 |
| Issuance of common stock warrants | $ 54 | $ — |
| Conversion of bridge notes to preferred stock | $ — | $ 1,998 |
| Conversion of preferred stock warrants to common stock warrants | $ — | $ 1,909 |

*See accompanying notes to consolidated financial statements.*

**TransEnterix, Inc.**

**Notes to Consolidated Financial Statements**

**(Unaudited)**

1. Description of Business

TransEnterix, Inc. (the "Company") is a medical device company that is focused on the development and future commercialization of a robotic assisted surgical system called the SurgiBot™ System (the "SurgiBot System"). The SurgiBot System is designed to utilize flexible instruments through articulating channels controlled directly by the surgeon, with robotic assistance, while the surgeon remains patient-side within the sterile field. The flexible nature of the SurgiBot System would allow for multiple instruments to be introduced and deployed through a single site, thereby offering room for visualization and manipulation once in the body. The SurgiBot System also integrates three-dimensional ("3-D") high definition vision technology. The Company has commercialized the SPIDER ® Surgical System, (the "SPIDER System") a manual laparoscopic system in the United States, Europe and the Middle East. The SPIDER System utilizes flexible instruments and articulating channels that are controlled directly by the surgeon, allowing for multiple instruments to be introduced via a single site. The SPIDER System has been cleared by the U.S. Food and Drug Administration ("FDA"). The Company also manufactured multiple instruments that can be deployed using the SPIDER System currently, and which are being adapted for use with the SurgiBot System.

On September 3, 2013, SafeStitch Medical, Inc., a Delaware corporation ("SafeStitch") and TransEnterix Surgical, Inc., a Delaware corporation formerly known as TransEnterix, Inc. ("TransEnterix Surgical") consummated a merger transaction whereby TransEnterix Surgical merged with a merger subsidiary of SafeStitch, with TransEnterix Surgical as the surviving entity in the merger (the "Merger"). As a result of the Merger, TransEnterix Surgical became a wholly owned subsidiary of SafeStitch. On December 6, 2013, SafeStitch changed its name to TransEnterix, Inc. As used herein, the term "Company" refers to the combination of SafeStitch and TransEnterix Surgical after giving effect to the Merger, the term "SafeStitch" refers to the historic business of SafeStitch Medical, Inc. prior to the Merger, and the term "TransEnterix Surgical" refers to the historic business of TransEnterix Surgical, Inc. prior to the Merger.

On December 6, 2013, the Company filed an Amended and Restated Certificate of Incorporation (the "Restated Certificate") to change its name to TransEnterix, Inc. and to increase the authorized shares of common stock from 225,000,000 to 750,000,000, and to authorize 25,000,000 shares of preferred stock, par value $0.01 per share. The Company's Board of Directors has the authority to fix the designations, powers, preferences and relative participating, optional and other special rights of shares of any series of preferred stock designated by them, and the qualifications, limitations or restrictions of such preferred stock.

Prior to the Merger, SafeStitch was focused on developing its Gastroplasty Device for the treatment of obesity, gastroesophageal reflux disease ("GERD") and Barrett's Esophagus. In the second quarter of 2014, the Company determined to cease internal development of the Gastroplasty Device. The Company is evaluating strategic alternatives for the former SafeStitch products.

The Company operates in one business segment.

The Company is subject to a number of risks similar to other similarly-sized companies in the medical device industry. These risks include, without limitation, the historical lack of profitability; the Company's ability to raise additional capital; its ability to successfully develop, clinically test and commercialize its products; the timing and outcome of the regulatory review process for our products; changes in the health care and regulatory environments of the United States and other countries in which the Company intends to operate; its ability to attract and retain key management, marketing and scientific personnel; competition from current and new entrants; its ability to successfully prepare, file, prosecute, maintain, defend and enforce patent claims and other intellectual property rights; its ability to successfully transition from a research and development company to a marketing, sales and distribution company; and its ability to identify and pursue development of additional products.

2. Summary of Significant Accounting Policies

*Basis of presentation*

The Company has prepared the accompanying unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 5, 2014 and its Form 10-K/A filed with the SEC on April 2, 2014.

The accompanying unaudited interim consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of the Company's management, necessary for a fair statement of the Company's consolidated financial position, results of operations and cash flows for the periods presented. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The principal estimates relate to inventory valuation, stock-based compensation, accrued expenses and income tax valuation. Actual results could differ from those estimates. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. All intercompany accounts and transactions have been eliminated in consolidation.

For a description of our critical accounting policies and estimates, please refer to the "Critical Accounting Policies and Estimates" section of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 5, 2014 and its Form 10-K/A filed with the SEC on April 2, 2014. There have been no material changes in any of our accounting policies since December 31, 2013.

*Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned operating subsidiaries, SafeStitch LLC, and TransEnterix Surgical, Inc. All intercompany accounts and transactions have been eliminated in consolidation.

*Reverse Merger*

On September 3, 2013, SafeStitch and TransEnterix Surgical, consummated the Merger whereby TransEnterix Surgical merged with a merger subsidiary of SafeStitch, with TransEnterix Surgical as the surviving entity in the Merger. As a result of the Merger, TransEnterix Surgical became a wholly owned subsidiary of SafeStitch. On December 6, 2013, SafeStitch changed its corporate name to TransEnterix, Inc.

The Reverse Merger has been accounted for as a reverse acquisition under which TransEnterix Surgical was considered the acquirer of SafeStitch. As such, the financial statements of TransEnterix Surgical are treated as the historical financial statements of the combined company, with the results of SafeStitch being included from September 3, 2013.

As a result of the Reverse Merger with SafeStitch, historical common stock amounts and additional paid in capital have been retroactively adjusted using the Merger Exchange Ratio of 1.1533.

*Reverse Stock Split*

On March 31, 2014, the Company effectuated a reverse stock split of its issued and outstanding shares of common stock at a ratio of 1 for 5 (the "Reverse Stock Split"). As a result of the Reverse Stock Split, the Company's issued and outstanding stock decreased from 244,276,923 to 48,855,255 shares of common stock, all with a par value of $0.001. All information related to common stock, stock options, RSUs, warrants and earnings per share for prior periods has been retroactively adjusted to give effect to the Reverse Stock Split, except for the reference to the Merger Exchange Ratio of 1.1533.

*Identifiable Intangible Assets and Goodwill*

Identifiable intangible assets are recorded at cost, or when acquired as part of a business acquisition, at estimated fair value. Certain intangible assets are amortized over 5-10 years. Similar to tangible personal property and equipment, the Company periodically evaluates identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment existed at September 30, 2014 or December 31, 2013.

Indefinite-lived intangible assets, such as goodwill, are not amortized. The Company tests the carrying amounts of goodwill for recoverability on an annual basis at December 31st or when events or changes in circumstances indicate evidence of potential impairment exists, using a fair value based test. No impairment existed at September 30, 2014 or December 31, 2013.

*Debt Issuance Costs*

The Company capitalizes costs associated with the issuance of debt instruments and amortizes these costs to interest expense over the term of the related debt agreement using the effective yield amortization method. Unamortized debt issuance costs will be charged to operations when indebtedness under the related credit facility is repaid prior to maturity.

*Business Acquisitions*

Business acquisitions are accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations." ASC 805 requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values, as determined in accordance with ASC 820, "Fair Value Measurements," as of the acquisition date. For certain assets and liabilities, book value approximates fair value. In addition, ASC 805 establishes that consideration transferred be measured at the closing date of the acquisition at the then-current market price, which may be different than the amount of consideration assumed in the pro forma financial statements. Under ASC 805, acquisition related costs (i.e., advisory, legal, valuation and other professional fees) and certain acquisition-related restructuring charges impacting the target company are expensed in the period in which the costs are incurred. The application of the acquisition method of accounting requires the Company to make estimates and assumptions related to the estimated fair values of net assets acquired. Significant judgments are used during this process, particularly with respect to intangible assets. Generally, intangible assets are amortized over their estimated useful lives. Goodwill and other indefinite-lived intangibles are not amortized, but are annually assessed for impairment. Therefore, the purchase price allocation to intangible assets and goodwill has a significant impact on future operating results.

*Impact of Recently Issued Accounting Standards*

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-12 – *Compensation – Stock Compensation: Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period*, which provides explicit guidance for the accounting treatment for these types of awards. The ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. This update is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The Company does not expect this ASU will have a material impact on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). The amendments in ASU 2014-15 are 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. Under GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. The going concern basis of accounting is critical to financial reporting because it establishes the fundamental basis for measuring and classifying assets and liabilities. Currently, GAAP lacks guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures. This ASU provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. This update is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company does not expect this ASU will have a material impact on its consolidated financial statements.

3. Income Taxes

Income taxes have been accounted for using the liability method in accordance with ASC 740 "Income Taxes". The Company computes its interim provision for income taxes by applying the estimated annual effective tax rate method. The Company estimates an annual effective tax rate of 0% for the year ending December 31, 2014, as the Company incurred losses for the three and nine month periods ended September 30, 2014 and is forecasting additional losses through the year, resulting in an estimated net loss for both financial statement and tax purposes for the year ending December 31, 2014. Due to the Company's history of losses, there is not sufficient evidence at this time to support the conclusion that the Company will generate future income of a sufficient amount and nature to utilize the benefits of its net deferred tax assets. Accordingly, the net deferred tax assets have been reduced by a full valuation allowance. Therefore, no federal or state income taxes are expected and none have been recorded at this time.

The Company's effective tax rate for each of the nine month periods ended September 30, 2014 and 2013 was 0%. At September 30, 2014, the Company had no unrecognized tax benefits that would affect the Company's effective tax rate.

4. Basic and Diluted Net Loss per Share

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed giving effect to all dilutive potential common shares that were outstanding during the period. Diluted potential common shares consist of incremental shares issuable upon exercise of stock options and warrants and conversion of preferred stock. In computing diluted net loss per share for the three and nine months ended September 30, 2014 and 2013, no adjustment has been made to the weighted average outstanding common shares as the assumed exercise of outstanding options and warrants and conversion of preferred stock would be anti-dilutive.

## 5. Cash and Cash Equivalents, Restricted Cash and Short-Term Investments

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents and investments with original maturities of between 91 days and one year to be short-term investments. In order to manage exposure to credit risk, the Company invests in high-quality investments rated at least A2 by Moody's Investors Service or A by Standard & Poor.

Restricted cash consisting of a money market account used as collateral securing a letter of credit under the terms of the corporate office operating lease that commenced in 2010 was $250,000 and $375,000 as of September 30, 2014 and December 31, 2013, respectively.

The Company's investments at December 31, 2013 consist of corporate bonds and are classified as available for sale. Investments classified as available for sale are measured at fair value, and net unrealized gains and losses are recorded as a component of accumulated other comprehensive income (loss) on the balance sheet until realized. Realized gains and losses on sales of investment securities are determined based on the specific-identification method and are recorded in interest and other income. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity computed under the effective interest method. Such amortization and accretion is included in interest expense, net. Related unrealized gains and losses were not material as of September 30, 2014 and December 31, 2013. There have been no unrealized gains or losses reclassified to accumulated other comprehensive income.

Cash, cash equivalents, restricted cash, and short-term investments consist of the following:

| | September 30, 2014 **(unaudited)** | December 31, 2013 |
|---|---|---|
| | (In thousands) | |
| Cash | $ 5,090 | $ 930 |
| Money market | 39,254 | 9,084 |
| Total cash and cash equivalents | 44,344 | 10,014 |
| Corporate bonds | — | 6,191 |
| Total short-term investments | $ — | $ 6,191 |
| Total restricted cash | $ 250 | $ 375 |
| Total | $ 44,594 | $ 16,580 |

## 6. Fair Value

The Company held certain assets that are required to be measured at fair value on a recurring basis. These assets include available for sale securities classified as cash equivalents. ASC 820-10, "Fair Value Measurement Disclosure," requires the valuation using a three-tiered approach, which requires that fair value measurements be classified and disclosed in one of three tiers. These tiers are: Level 1, defined as quoted prices in active markets for identical assets or liabilities; Level 2, defined as valuations based on observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable input data; and Level 3, defined as valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants.

For assets and liabilities recorded at fair value, it is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and therefore, are based primarily upon estimates, are often calculated based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

As prescribed by U.S. GAAP, the Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Company expects changes in classifications between levels will be rare.

The following are the major categories of assets measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

| | September 30, 2014 (In thousands) (unaudited) | | | |
|---|---|---|---|---|
| Description | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total September 30, 2014 |
| Assets measured at fair value | | | | |
| Cash and cash equivalents | $ 44,344 | $ — | $ — | $ 44,344 |
| Restricted cash | 250 | — | — | 250 |
| Total assets measured at fair value | $ 44,594 | $ — | $ — | $ 44,594 |

| | December 31, 2013 (In thousands) | | | |
|---|---|---|---|---|
| Description | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total December 31, 2013 |
| Assets measured at fair value | | | | |
| Cash and cash equivalents | $ 10,014 | $ — | $ — | $ 10,014 |
| Restricted cash | 375 | — | — | 375 |
| Short term investments | — | 6,191 | — | 6,191 |
| Total assets measured at fair value | $ 10,389 | $ 6,191 | $ — | $ 16,580 |

7. Investments

The aggregate fair values of investment securities along with unrealized gains and losses determined on an individual investment security basis are as follows:

| | (In thousands) | | | |
|---|---|---|---|---|
| *December 31, 2013* | Amortized Cost | Unrealized Gain | Unrealized (Loss) | Fair Value |
| Corporate bonds | $ 6,191 | $ — | $ — | $ 6,191 |

None of the securities have contractual maturities of more than one year and therefore do not have continuous unrealized losses greater than 12 months. The Company no longer held short-term investments as of September 30, 2014.

Table of Contents

8. Inventory

The following table presents the components of inventory:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| | (In thousands) | |
| | (unaudited) | |
| Finished goods | $ 757 | $ 896 |
| Reserve for excess and obsolete inventory | (490) | (195) |
| Total inventory, net | $ 267 | $ 701 |

9. Goodwill and Intangible Assets

The following table presents the carrying value of the components of goodwill and intangible assets at the balance sheet dates:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| | (In thousands) | |
| | (unaudited) | |
| Goodwill | $ 93,842 | $ 93,842 |
| Intangible assets: | | |
| Intellectual property | 5,000 | 5,000 |
| Trade names | 10 | 10 |
| Amortization of intangible assets | (2,636) | (2,259) |
| Total intangible assets | $ 2,374 | $ 2,751 |

10. Accrued Expenses

The following table presents the components of accrued expenses:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| | (In thousands) | |
| | (unaudited) | |
| Compensation and benefits | $ 936 | $ 738 |
| Consulting and other vendors | 294 | 284 |
| Legal and professional fees | 174 | 99 |
| Taxes | 90 | — |
| Other | 262 | 285 |
| Total accrued expenses | $ 1,756 | $ 1,406 |

11. Notes Payable

On January 17, 2012, TransEnterix Surgical entered into a loan and security agreement with Silicon Valley Bank and Oxford Finance LLC (collectively, the “Lenders”). The terms of the loan agreement provided for two term loans in aggregate of $10,000,000 comprised of a $4,000,000 term loan and a $6,000,000 term loan (the “Original Loan Agreement”). In connection with the Merger, the Company assumed and became the borrower under TransEnterix Surgical’s Original Loan Agreement, and agreed to amendments to the Original Loan Agreement, dated as of September 3, 2013 and October 31, 2013, respectively, The Original Loan Agreement had a maturity date of January 1, 2016 and a fixed interest rate of 8.75%. As of September 26, 2014, the outstanding principal amount of the Original Loan Agreement was $5,603,646.

On September 26, 2014, the Company entered into an amended and restated loan and security agreement (the “Amended and Restated Loan Agreement”) with the Lenders. Under the Amended and Restated Loan Agreement, the Lenders have agreed to make certain term loans (the “Term Loans”) in an aggregate principal amount of up to $25,000,000. The first tranche increased the Company’s borrowings at September 26, 2014 from $5,603,646 to $10,000,000. Two additional tranches are to be made available as follows. The second tranche of $5,000,000 will be available at any time prior to one year after the closing date when the Company files a 510(k) application for its SurgiBot System, and completes an offering of its equity securities at or above $35 million. The third tranche of $10,000,000, will be made available to the Company at any time prior to two years after the closing date upon recognition of at least $10,000,000 of trailing six-month revenues from the SurgiBot System and SurgiBot-related products. The Company is entitled to make interest-only payments for 12 months from the closing date, which interest-only period is extended to 18 months if the Company receives 510(k) clearance for its SurgiBot System at any time before October 31, 2015. The maturity date of the Term Loans is April 1, 2018 without the interest-only extension and October 1, 2018 with the interest-only extension.

The Term Loans bear interest at a fixed rate equal to 7.50% per annum, subject to adjustment at funding for subsequent tranches on an increase in LIBOR above a designated rate. The Term Loans will be required to be prepaid if the Term Loans are accelerated following an event of default. In addition, the Company is permitted to prepay the Term Loans in full at any time upon 10 days' written notice to the Lenders. Upon the earliest to occur of the maturity date, acceleration of the term loans, or prepayment of Term Loans, the Company is required to make a final payment equal to 5.45% of the original principal amount of each Term Loan without the interest-only extension or 6.75% with the interest-only extension (the "Final Payment Fee"). Any prepayment, whether mandatory or voluntary, must include the Final Payment Fee, interest at the default rate (which is the rate otherwise applicable plus 5%) with respect to any amounts past due, and the Lenders' expenses and all other obligations that are due and payable to the Lenders.

In connection with the entry into the Amended and Restated Loan Agreement, the Company became obligated to make a payment equal to the accrued portion of the 3.33% final payment fee due under the Original Loan Agreement plus a facility fee payment of $75,000. In addition, in connection with the first tranche borrowings, the Company issued warrants to the Lenders to purchase shares of the Company's common stock. Additional warrants will be issued if additional tranche Term Loans are made under the Amended and Restated Loan Agreement. The warrants expire seven years from their respective issue date.

The Amended and Restated Loan Agreement is secured by a security interest in all assets of the Company and its current and future subsidiaries, including a security interest in intellectual property proceeds, but excluding a current security interest in intellectual property. The Amended and Restated Loan Agreement contains customary representations (tested on a continual basis) and covenants that, subject to exceptions, restrict the Company's ability to do the following things: declare dividends or redeem or repurchase equity interests; incur additional liens; make loans and investments; incur additional indebtedness; engage in mergers, acquisitions, and asset sales; transact with affiliates; undergo a change in control; add or change business locations; and engage in businesses that are not related to its existing business.

In accordance with ASC 470-50 *Debt – Modifications and Extinguishments*, it was determined that the debt refinancing was considered to be a debt modification. Accordingly, the Company recorded approximately $129,000 of debt discount, consisting of the $75,000 facility fee and the relative fair value of warrants on the issue date of $54,000. Additionally, approximately $17,000 of legal fees were recorded as deferred financing costs. The debt discount and deferred financing costs will be amortized over the life of the new debt agreement using the effective interest method into Interest expense, net.

12. Warrants

On March 22, 2013, SafeStitch entered into a stock purchase agreement with approximately 17 investors (the "2013 PIPE Investors") pursuant to which the 2013 PIPE Investors purchased an aggregate of approximately 2,420,000 shares of common stock at a price of $1.25 per share for aggregate consideration of approximately $3.0 million. Included in this private placement was the issuance of warrants to purchase approximately 1,209,600 common shares, representing one warrant for every two common shares purchased, with an exercise price of $1.65 per share and five year expiration. There were approximately 1.2 million warrants outstanding that were assumed as of the Merger. During the year ended December 31, 2013, 54,000 of these warrants were exercised. During the nine months ended September 30, 2014, 10,000 of these warrants were exercised.

On January 17, 2012, TransEnterix Surgical entered into the Original Loan Agreement with Silicon Valley Bank and Oxford Finance LLC. Pursuant to such agreement, TransEnterix Surgical issued preferred stock warrants to the Lenders on January 17, 2012 and December 21, 2012, respectively, to purchase shares of TransEnterix Surgical preferred stock. The preferred stock warrants expired 10 years from the issue date. The preferred stock warrants were remeasured immediately prior to the Merger. As a result of the remeasurement, the Company recorded approximately $1.8 million of other expense in the accompanying statements of operations and other comprehensive income (loss). As of the Merger, the preferred stock warrants converted to common stock warrants, adjusted based on the Exchange Ratio of 1.1533, and the preferred stock warrant liability was reclassified to additional paid-in capital. These warrants are exercisable for an aggregate of approximately 279,586 shares of common stock, with an exercise price of $1.45. During the year ended December 31, 2013, 139,793 of these warrants were exercised in a cashless transaction for 112,766 shares of common stock. None of these warrants were exercised during the nine months ended September 30, 2014.

On September 26, 2014, in connection with the Amended and Restated Loan Agreement with the Lenders and the first tranche borrowings, the Company issued 38,325 common stock warrants to the Lenders to purchase shares of the Company's common stock, with an exercise price of $4.015 per share. Additional common stock warrants will be issued if additional tranche Term Loans are made under the Amended and Restated Loan Agreement. The warrants expire seven years from their respective issue date. The Company concluded that the warrants are considered equity instruments. The warrants were recognized at the relative fair value on the issuance date as a debt discount and will be amortized using the effective interest method from issuance to the maturity of the note. None of these warrants were exercised during the nine months ended September 30, 2014.

13. Closing of Merger and Financing Transaction

Pursuant to an Agreement and Plan of Merger dated August 13, 2013, as amended by a First Amendment dated August 30, 2013 (collectively, the "Merger Agreement"), on September 3, 2013, the Company consummated the Merger in which a wholly owned subsidiary of SafeStitch merged with TransEnterix Surgical. Under the terms of the Merger Agreement, TransEnterix Surgical remained as the surviving corporation and as a wholly owned subsidiary SafeStitch.

Pursuant to the Merger Agreement, each share of TransEnterix Surgical's capital stock issued and outstanding immediately preceding the Merger was converted into the right to receive 1.1533 shares of the Company's common stock, par value $0.001 per share, other than those shares of TransEnterix Surgical's common stock held by non-accredited investors, which shares were instead converted into the right to receive an amount in cash per share of SafeStitch common stock equal to $1.08, without interest, which was the volume-weighted average price of a share of common stock on the OTCBB for the 60-trading day period ended on August 30, 2013 (one business day prior to the effective date of the Merger). Upon the closing of the Merger, and in accordance with the terms of the Merger Agreement, the Company issued an aggregate of 21,109,949 shares of the Company's common stock as Merger consideration and paid $293,000 to unaccredited investors in lieu of common stock. Additionally, pursuant to the Merger Agreement, upon consummation of the Merger, the Company assumed all of TransEnterix Surgical's options, whether vested or unvested, and warrants issued and outstanding immediately prior to the Merger at the same Exchange Ratio.

During July 2013, TransEnterix Surgical issued promissory notes (the "Bridge Notes") to related parties consisting of existing investors of TransEnterix Surgical, in the aggregate principal amount of $2.0 million, as contemplated by the Merger Agreement. The Bridge Notes bore interest at a rate of 8% per annum. The Bridge Notes were not secured by any collateral and were subordinated in right of payment to the loan evidenced by the Original Loan Agreement. The Bridge Notes were converted into Series B Preferred Stock of the Company at the effective time of the Merger.

Concurrent with the closing of the Merger, and in accordance with the terms of the Purchase Agreement, the Company consummated a private placement (the "Private Placement") transaction in which it issued and sold shares of its Series B Convertible Preferred Stock, par value $0.01 per share (the "Series B Preferred Stock") to provide funding to support the Company's operations following the Merger. The Private Placement was done pursuant to a Securities Purchase Agreement (the "Purchase Agreement") with accredited investors (the "Investors"), the majority of which were considered related parties as existing investors in SafeStitch or TransEnterix Surgical. Under the Purchase Agreement, the Company issued 7,544,704.4 shares of Series B Preferred Stock, each share of which is convertible, subject to certain conditions, into two shares of common stock, for a purchase price of $4.00 per share of Series B Preferred Stock, which was paid in cash, cancellation of certain Bridge Notes of TransEnterix Surgical or a combination thereof. Pursuant to the Purchase Agreement, the Company issued and sold an additional 25,000 shares of Series B Preferred Stock within the period provided in the Purchase Agreement resulting in gross proceeds to the Company of approximately $100,000. Each share of Series B Preferred Stock was converted into two shares of our common stock, par value $0.001 per share, on December 6, 2013.

In connection with the Merger Agreement and the September 2013 private placement, certain of SafeStitch's and TransEnterix Surgical's former stockholders, comprising approximately 93% of our stock on the effective date of the Merger, entered into Lock-up and Voting Agreements, pursuant to which such persons agreed, subject to certain exceptions, not to sell, transfer or otherwise convey any of the Company's securities held by them (collectively, "Covered Securities") for one year following the September 3, 2013 closing date (the "Closing Date"). The Lock-up and Voting Agreements provide that such persons may sell, transfer or convey: (i) up to 50% of their respective Covered Securities during the period commencing on the one-year anniversary of the Closing Date and ending on the eighteen-month anniversary of the Closing Date; and (ii) up to an aggregate of 75% of their respective Covered Securities during the period commencing on the eighteen-month anniversary of the Closing Date and ending on the two-year anniversary of the Closing Date. The restrictions on transfer contained in the Lock-up and Voting Agreements cease to apply to the Covered Securities following the second anniversary of the Closing Date.

At the closing of the Merger, each outstanding share of capital stock of TransEnterix Surgical was cancelled and extinguished and converted into the right to receive a portion of the Merger consideration in accordance with the Merger Agreement. The Bridge Notes were terminated at the closing of the Merger, and the holders of such Bridge Notes received Merger consideration in accordance with the Merger Agreement.

The Merger effectuated on September 3, 2013 qualified as a tax-free reorganization under Section 368 of the Internal Revenue Code. As a result of the Merger, the utilization of certain tax attributes of the Company may be limited in future periods under the rules prescribed under Section 382 of the Internal Revenue Code.

The Company's assets and liabilities are presented at their preliminary estimated fair values, with the excess of the purchase price over the sum of these fair values presented as goodwill.

The following table summarizes the purchase price (in thousands):

| | |
|---|---|
| Common shares outstanding at the date of merger | 12,350 |
| Closing price per share | $ 7.60 |
| | $93,858 |
| Cash consideration | 293 |
| Total purchase price | $94,151 |

The purchase price was allocated to the net assets acquired utilizing the methodology prescribed in ASC 805. The Company recorded goodwill of $93.8 million after recording net assets acquired at fair value as presented in the following table.

The following table summarizes the allocation of the purchase price to the net assets acquired (in thousands):

| | |
|---|---|
| Cash and cash equivalents | $ 597 |
| Accounts receivable | 54 |
| Inventory | 50 |
| Other current assets | 53 |
| Property and equipment | 185 |
| Other long-term asset | 2 |
| Intangible assets | 10 |
| Goodwill | 93,842 |
| Total assets acquired | 94,793 |
| Accounts payable and other liabilities | 642 |
| Total purchase price | $94,151 |

Following the announcement of the Merger, the SafeStitch stock price increased prior to the Merger closing date of September 3, 2013, generating additional goodwill. There may be impairment in the future and the impairment of goodwill will be assessed annually.

The Company allocated $10,000 of the purchase price to identifiable intangible assets of trade names that met the separability and contractual legal criterion of ASC 805. The trade names will be amortized using the straight-line method over 5 years.

The results of operations of SafeStitch have been included in the Company’s consolidated financial statements from the date of the Merger.

14. Public Offering of Common Stock

On April 14, 2014, the Company sold 12,500,000 shares of common stock at a public offering price of $4.00 per share for aggregate gross proceeds of $50.0 million in an underwritten firm commitment public offering. Certain of the Company’s existing stockholders that are affiliated with certain of the Company’s directors purchased $10.0 million of common stock in the public offering. The closing of the public offering occurred on April 21, 2014. The Company granted the underwriters an option, exercisable for 30 days, to purchase up to an additional 1,875,000 shares of Common Stock to cover over-allotments. On April 30, 2014, the underwriters exercised a portion of their over-allotment option to acquire an additional 1,610,000 shares at the public offering price of $4.00 per share for aggregate additional gross proceeds of $6.4 million. The purchase of the over-allotment shares closed on May 5, 2014. Total proceeds were $52.4 million, net of issuance costs of $4.0 million. The common stock was offered and sold pursuant to the Shelf Registration Statement (the “Shelf Registration Statement”), which was declared effective on April 2, 2014. The Shelf Registration Statement allowed the Company to raise up to $100.0 million through the sale of debt securities, common stock, preferred stock, or warrants, or any combination thereof.

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

*The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes to our consolidated financial statements included in this report. The following discussion contains forward-looking statements. See cautionary note regarding "Forward-Looking Statements" at the beginning of this report.*

Overview

We are a medical device company that is focused on the development and future commercialization of a robotic assisted surgical system called the SurgiBot™ System (the "SurgiBot System"). The SurgiBot System is designed to utilize flexible instruments through articulating channels controlled directly by the surgeon, with robotic assistance, while the surgeon remains patient-side within the sterile field. The flexible nature of the SurgiBot System would allow for multiple instruments to be introduced and deployed through a single site, thereby offering room for visualization and manipulation once in the body. The SurgiBot System integrates three-dimensional ("3-D") high definition vision technology. We have commercialized the SPIDER® Surgical System, (the "SPIDER System") a manual laparoscopic system in the United States, Europe and the Middle East. The SPIDER System utilizes flexible instruments and articulating channels that are controlled directly by the surgeon, allowing for multiple instruments to be introduced via a single site. The SPIDER System has been cleared by the U.S. Food and Drug Administration ("FDA"). We also manufactured multiple instruments that can be deployed using the SPIDER System currently, and which are being adapted for use with the SurgiBot System. We have chosen to focus resources on the SurgiBot System development and therefore away from continued investment in sales and marketing of the SPIDER System. The SPIDER System will remain on the market, and we will focus on serving existing customers. In April 2014, we launched the Flex Ligating Shears ("FLS") which is an advanced energy device used with the existing SPIDER Surgical System. The FLS device is designed to deliver controlled energy to effectively ligate and divide tissue. We intend to offer a similar device in the future for the SurgiBot System.

During the second quarter of 2014, we determined to cease internal development of the SafeStitch Gastroplasty Device. We are evaluating strategic alternatives for the former SafeStitch products.

We believe that future outcomes of minimally invasive surgery will be enhanced through our combination of more advanced tools and robotic functionality which are designed to: (i) empower surgeons with improved precision, dexterity and visualization; (ii) improve patient satisfaction and post-operative recovery; and (iii) provide a cost-effective robotic system, compared to existing alternatives today, for a potentially wide range of clinical applications.

Our strategy is to focus our resources on the development and future commercialization of the SurgiBot System. We are planning to make the product available subject to our obtaining the requisite regulatory and government clearances.

We believe that:

- there are a number of hospitals and ambulatory surgery centers in the U.S. and internationally that could benefit from the addition of robotic-assisted minimally invasive surgery at a lower cost of entry than existing robotic surgery systems;
- surgeons can benefit from the ease of use, 3-D visualization and precision of robotic assisted surgery while remaining patient-side within the sterile field, consistent with current laparoscopic surgery procedures; and
- patients will continue to seek a minimally invasive option offering minimal scarring and fewer incisions for many common general abdominal and gynecologic surgeries.

From our inception, we devoted a substantial percentage of our resources to research and development and start-up activities, consisting primarily of product design and development, clinical trials, manufacturing, recruiting qualified personnel and raising capital.

Since inception, we have been unprofitable. As of September 30, 2014, we had an accumulated deficit of $127.8 million.

We expect to continue to invest in research and development and related clinical trials, and increase selling, general and administrative expenses as we grow. As a result, we will need to generate significant revenue in order to achieve profitability.

We operate in one business segment.

Recent Events

Reverse Stock Split

On March 31, 2014, we effectuated a reverse stock split of our issued and outstanding shares of common stock at a ratio of 1 for 5 (the "Reverse Stock Split"). As a result of the Reverse Stock Split, our issued and outstanding stock decreased from 244,276,923 to 48,855,255 shares of common stock, all with a par value of $0.001. All information related to common stock, stock options, RSUs, warrants and earnings per share for prior periods has been retroactively adjusted to give effect to the Reverse Stock Split.

Public Offering

On April 14, 2014, we sold 12,500,000 shares of common stock at a public offering price of $4.00 per share for aggregate gross proceeds of $50.0 million in an underwritten firm commitment public offering. We granted the underwriters an option, exercisable for 30 days, to purchase up to an additional 1,875,000 shares of common stock to cover over-allotments. Certain of our existing stockholders that are affiliated with certain of our directors purchased $10.0 million of common stock in the public offering. The common stock was offered and sold pursuant to our shelf registration statement on Form S-3 (File No. 333-193235) registering an aggregate of $100.0 million of our designated securities (the "Shelf Registration Statement"). The Shelf Registration Statement was declared effective by the SEC on April 2, 2014. The closing of the public offering occurred on April 21, 2014. On April 30, 2014, the underwriters exercised a portion of their over-allotment option to acquire an additional 1,610,000 shares at the public offering price of $4.00 per share for aggregate additional gross proceeds of $6.4 million. The purchase of the over-allotment shares closed on May 5, 2014. Total proceeds were $52.4 million, net of issuance costs of $4.0 million.

In connection with the public offering, our common stock was eligible to be listed on the NYSE MKT and began trading on such exchange on April 1, 2014.

Results of Operations

Our results of operations include the acquired SafeStitch operations from the Merger date, September 3, 2013, forward.

Revenue

We derived sales from the SPIDER System and other distributed products through limited direct sales in the United States and international distributors. We record revenue when persuasive evidence of an arrangement exists, delivery has occurred which is typically at shipping point, the fee is fixed or determinable and collectability is reasonably assured. Shipping and handling costs billed to customers are included in revenue.

Cost of Goods Sold

Cost of goods sold consists of materials, labor and overhead incurred internally to produce our products. Shipping and handling costs we incur are included in cost of goods sold.

Research and Development

Research and development ("R&D") expenses primarily consist of engineering, product development and regulatory expenses incurred in the design, development, testing and enhancement of our products and legal services associated with our efforts to obtain and maintain broad protection for the intellectual property related to our products. In future periods, we expect R&D expenses to grow as we continue to invest in basic research, clinical trials, product development and intellectual property. R&D expenses are expensed as incurred.

Sales and Marketing

Sales and marketing expenses include costs for sales and marketing personnel, travel, demonstration product, market development, physician training, tradeshows, marketing clinical studies and consulting expenses. In future periods, we expect sales and marketing expenses to increase to support our efforts in the commercialization of SurgiBot.

General and Administrative

General and administrative expenses consist of personnel costs related to the executive, finance and human resource functions, as well as professional service fees, legal fees, accounting fees, insurance costs, amortization of intellectual property and general corporate expenses. In future periods, we expect general and administrative expenses to increase to support our sales, marketing, research and development efforts.

Merger Expenses

Merger expenses consist primarily of legal, investment banking, accounting and other professional fees related to the Merger.

Other Expense, Net

Other expense is primarily composed of interest expense on long-term debt and the remeasurement of fair value of preferred stock warrant liability immediately preceding the Merger.

Comparison of the Three Months Ended September 30, 2014 and 2013

Sales for the three months ended September 30, 2014 decreased to $0.1 million from $0.4 million for the three months ended September 30, 2013. The $0.3 million decrease was primarily due to lower sales volumes of SPIDER Surgical Systems as we continue to focus resources on our SurgiBot system development.

Cost of goods sold for the three months ended September 30, 2014 decreased to $0.2 million from $2.1 million for the three months ended September 30, 2013. The $1.9 million decrease was primarily the result of lower revenues as we limit sales of the SPIDER Surgical System to existing customers, discontinued production of the SPIDER Surgical System, and transferred employees from manufacturing and quality departments to research and development and regulatory functions.

R&D expenses for the three months ended September 30, 2014 increased to $9.1 million compared to $2.9 million for the three months ended September 30, 2013. The $6.2 million increase resulted primarily from increased investment in our SurgiBot system development, including increased development materials of $2.0 million, increased contract engineering services and consulting of $1.9 million, increased personnel related expenses of $1.3 million as we expanded our research and development and regulatory functions, increased other expenses of $0.7 million, and increased stock-based compensation costs of $0.3 million.

Sales and marketing expenses were $0.5 million and $0.4 million for the three months ended September 30, 2014 and 2013, respectively.

General and administrative expenses for the three months ended September 30, 2014 increased to $1.6 million compared to $1.3 million for the three months ended September 30, 2013. The $0.3 million increase was primarily due to increased stock-based compensation costs of $0.4 million, increased taxes of $0.1 million, and increased professional development of $0.1 million, offset by decreased compensation costs of $0.3 million.

In connection with the Merger, we incurred $2.9 million of Merger related expenses in 2013.

Other expense for the three months ended September 30, 2014 decreased to $0.2 million compared to $2.1 million for the three months ended September 30, 2013. The $1.9 million decrease was primarily the result of $1.8 million related to the remeasurement of fair value of the preferred stock warrant liability immediately preceding the Merger.

Comparison of the Nine Months Ended September 30, 2014 and 2013

Sales for the nine months ended September 30, 2014 decreased to $0.3 million from $1.2 million for the nine months ended September 30, 2013. The $0.9 million decrease was primarily due to lower sales volumes of SPIDER Surgical Systems as we continue to focus resources on our SurgiBot system development.

Cost of goods sold for the nine months ended September 30, 2014 decreased to $0.7 million from $4.1 million for the nine months ended September 30, 2013. The $3.4 million decrease was primarily the result of lower revenues as we limit sales of the SPIDER Surgical System to existing customers, discontinued production of the SPIDER Surgical System, and transferred employees from manufacturing and quality departments to research and development and regulatory functions.

R&D expenses for the nine months ended September 30, 2014 increased to $22.0 million compared to $7.9 million for the nine months ended September 30, 2013. The $14.1 million increase resulted primarily from increased investment in our SurgiBot system development, including contract engineering services and consulting of $4.4 million, increased personnel related expenses of $3.3 million as we expanded our research and development and regulatory functions, increased development materials of $3.7 million, increased other expenses of $0.9 million, and increased stock-based compensation costs of $0.7 million. In addition, R&D expenses incurred for development of SafeStitch products for the nine months ended September 30, 2014 were $1.1 million.

Sales and marketing expenses for the nine months ended September 30, 2014 decreased to $1.3 million compared to $1.5 million for the nine months ended September 30, 2013. The $0.2 million decrease was primarily related to lower personnel-related costs as we decreased our direct sales and marketing personnel.

General and administrative expenses for the nine months ended September 30, 2014 increased to $5.1 million compared to $2.7 million for the nine months ended September 30, 2013. The $2.4 million increase was primarily due to increased stock-based compensation costs of $0.9 million, increased legal, accounting and investor relation fees and other public company costs of $0.7 million, increased personnel costs of $0.5 million, increased professional development of $0.1 million, and increased other costs of $0.2 million.

In connection with the Merger, we incurred $2.9 million of Merger related expenses in 2013.

Other expense for the nine months ended September 30, 2014 decreased to $0.8 million compared to $2.5 million for the nine months ended September 30, 2013. The $1.7 million decrease was primarily the result of $1.8 million related to the remeasurement of fair value of the preferred stock warrant liability immediately preceding the Merger.

Liquidity and Capital Resources

Sources of Liquidity

Since our inception we have incurred significant losses and, as of September 30, 2014, we had an accumulated deficit of $127.8 million. We have not yet achieved profitability and we cannot assure investors that we will achieve profitability with our existing capital resources. We expect to continue to fund research and development, sales and marketing and general and administrative expenses at similar to current or higher levels and, as a result, we will need to generate significant revenues to achieve profitability. Our principal sources of cash have been proceeds from public offerings of common stock, private placements of common and preferred stock and incurrence of debt. We expect existing cash balances will be sufficient to fund our operations and satisfy our other anticipated cash requirements for at least the next 12 months.

In January 2014, we filed the Shelf Registration Statement with the SEC which was declared effective on April 2, 2014. The Shelf Registration Statement allowed us to raise up to $100.0 million through the sale of debt securities, common stock, preferred stock, or warrants, or any combination thereof. On April 14, 2014, we sold 12,500,000 shares of common stock at a public offering price of $4.00 per share for aggregate gross proceeds of $50.0 million in an underwritten firm commitment public offering. We granted the underwriters an option, exercisable for 30 days, to purchase up to an additional 1,875,000 shares of common stock to cover over-allotments. Certain of our existing stockholders that are affiliated with certain of our directors purchased $10.0 million of common stock in the public offering. The common stock was offered and sold pursuant to the Shelf Registration Statement. The closing of the public offering occurred on April 21, 2014. On April 30, 2014, the underwriters exercised a portion of their over-allotment option to acquire an additional 1,610,000 shares at the public offering price of $4.00 per share for aggregate additional gross proceeds of $6.4 million. The purchase of the over-allotment shares closed on May 5, 2014. Total proceeds from the offering were $52.4 million, net of issuance costs of $4.0 million. Following such public offering (including the over-allotment), we currently have the ability to raise an additional $43.6 million from the Shelf Registration Statement.

At September 30, 2014, we had cash and cash equivalents of approximately $44.3 million. Our cash and cash equivalents increased by approximately $34.3 million during the nine months ended September 30, 2014, primarily as a result of proceeds from the issuance of common stock, net of issuance costs, of $52.4 million, proceeds from the sale and maturities of investments of $6.2 million, and proceeds from the issuance of debt of $4.3 million, offset by net cash used in operating activities of $24.2 million, purchases of property and equipment of $1.6 million, and payments on term debt of $2.9 million.

Cash Flows

*Net Cash Used in Operating Activities*

Net cash used in operating activities was $24.2 million during the nine months ended September 30, 2014. This amount was attributable primarily to the net loss after adjustment for non-cash items, such as depreciation and amortization, and stock-based compensation, plus the net change in operating assets and liabilities for the nine months ended September 30, 2014, which consisted primarily of increases in accounts payable and accrued expenses and decreases in restricted cash, inventory and accounts receivable.

*Net Cash Provided by Investing Activities*

Net cash provided by investing activities was $4.6 million during the nine months ended September 30, 2014. This amount reflected the net cash proceeds from the sale and maturities of investments of $6.2 million offset by cash paid for the purchases of property and equipment of $1.6 million.

*Net Cash Provided by Financing Activities*

Net cash provided by financing activities during the nine months ended September 30, 2014 of $54.0 million was primarily related to proceeds from the issuance of common stock, net of issuance costs, of $52.4 million, and proceeds from the issuance of debt of $4.3 million, offset by payments on debt of $2.9 million.

Operating Capital and Capital Expenditure Requirements

During August 2013, TransEnterix Surgical issued promissory notes (the "Bridge Notes") in the aggregate principal amount of $2.0 million. The Bridge Notes bore interest at a rate of 8% per annum. The Bridge Notes were not secured by any collateral and were subordinated in right of payment to the term loan evidenced by the loan and security agreement between TransEnterix Surgical, Inc. and Silicon Valley Bank and Oxford Finance LLC, as lenders (the "Lenders"). The Bridge Notes were converted into the Company's Series B Preferred Stock at the effective time of the Merger.

On September 3, 2013, we consummated a private placement (the "Private Placement") transaction in which we issued and sold shares of our Series B Convertible Preferred Stock, par value $0.01 per share (the "Series B Preferred Stock") to finance our operations following the merger. The Private Placement was done pursuant to a Securities Purchase Agreement (the "Purchase Agreement") with accredited investors (the "Investors"), the majority of which were considered related parties as existing investors in SafeStitch and TransEnterix Surgical, pursuant to which the Investors agreed to purchase an aggregate of 7,544,704.4 shares of the Series B Preferred Stock, each share of which was convertible, subject to certain conditions, into two shares of common stock, for a purchase price of $4.00 per share of Series B Preferred Stock, which was paid in cash, cancellation of certain indebtedness of TransEnterix Surgical or a combination thereof. In accordance with the Purchase Agreement, we issued and sold an additional 25,000 shares of Series B Preferred Stock on September 17, 2013. Proceeds from the issuance of the Series B Preferred Stock, net of issuance costs, were $28.2 million.

In connection with the Merger, we assumed and became the borrower under TransEnterix Surgical's outstanding credit facility (the "Original Loan Agreement"). On September 26, 2014, we entered into an amended and restated loan and security agreement (the "Amended and Restated Loan Agreement") with the Lenders. Under the Amended and Restated Loan Agreement, the Lenders have agreed to make certain term loans (the "Term Loans") in an aggregate principal amount of up to $25.0 million. The first tranche increased the Company's borrowings at September 26, 2014 from $5.6 million to $10.0 million. Two additional tranches are to be made available as follows. The second tranche of $5.0 million will be available at any time prior to one year after the closing date when we file a 510(k) application for the SurgiBot System, and complete an offering of equity securities at or above $35.0 million. The third tranche of $10.0 million, will be made available to us at any time prior to two years after the closing date upon recognition of at least $10.0 million of trailing six-month revenues from the SurgiBot System and SurgiBot-related products. We are entitled to make interest-only payments for 12 months from the closing date, which interest-only period is extended to 18 months if we receive 510(k) clearance for the SurgiBot system at any time before October 31, 2015. The maturity date of the Term Loans is April 1, 2018 without the interest-only extension and October 1, 2018 with the interest-only extension.

The Term Loans bear interest at a fixed rate equal to 7.50% per annum, subject to adjustment at funding for subsequent tranches on an increase in LIBOR above a designated rate. The Term Loans will be required to be prepaid if the Term Loans are accelerated following an event of default. In addition, we are permitted to prepay the Term Loans in full at any time upon 10 days' written notice to the Lenders. Upon the earliest to occur of the maturity date, acceleration of the Term Loans, or prepayment of Term Loans, we are required to make a final payment equal to 5.45% of the original principal amount of each Term Loan without the interest-only extension or 6.75% with the interest-only extension (the "Final Payment Fee"). Any prepayment, whether mandatory or voluntary, must include the Final Payment Fee, interest at the default rate (which is the rate otherwise applicable plus 5%) with respect to any amounts past due, and the Lenders' expenses and all other obligations that are due and payable to the Lenders.

In connection with the entry into the Amended and Restated Loan Agreement, we became obligated to make a payment equal to the accrued portion of the 3.33% final payment fee due under the Original Amended Loan Agreement plus a facility fee payment of $75,000. In addition, in connection with the first tranche borrowings, we issued warrants to the Lenders to purchase shares of our common stock. Additional common stock warrants will be issued if additional tranche Term Loans are made under the Amended and Restated Loan Agreement. The warrants expire seven years from their respective issue date.

The Amended and Restated Loan Agreement is secured by a security interest in all assets of the Company and its current and future subsidiaries, including a security interest in intellectual property proceeds, but excluding a current security interest in intellectual property. The Amended and Restated Loan Agreement contains customary representations (tested on a continual basis) and covenants that, subject to exceptions, restrict our ability to do the following things: declare dividends or redeem or repurchase equity interests; incur additional liens; make loans and investments; incur additional indebtedness; engage in mergers, acquisitions, and asset sales; transact with affiliates; undergo a change in control; add or change business locations; and engage in businesses that are not related to its existing business.

## Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations set forth above under the headings “Results of Operations” and “Liquidity and Capital Resources” have been prepared in accordance with U.S. GAAP and should be read in conjunction with our consolidated financial statements and notes thereto appearing in the Annual Report on Form 10-K for the year ended December 31, 2013, filed by the Company with the SEC on March 5, 2014. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our critical accounting policies and estimates, including identifiable intangible assets and goodwill, stock-based compensation, inventory, intellectual property and long-lived assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. A more detailed discussion on the application of these and other accounting policies can be found in Note 2 in the Notes to the Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2013, filed by the Company with the SEC on March 5, 2014. Actual results may differ from these estimates under different assumptions and conditions.

While all accounting policies impact the financial statements, certain policies may be viewed as critical. Critical accounting policies are those that are both most important to the portrayal of financial condition and results of operations and that require management’s most subjective or complex judgments and estimates. Our management believes the policies that fall within this category are the policies on accounting for identifiable intangible assets and goodwill, stock-based compensation, intellectual property and long-lived assets and inventory.

### Identifiable Intangible Assets and Goodwill

Identifiable intangible assets are recorded at cost, or when acquired as part of a business acquisition, at estimated fair value. Certain intangible assets are amortized over 5 years. We periodically evaluate identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Indefinite-lived intangible assets, such as goodwill are not amortized. We test the carrying amounts of goodwill for recoverability on an annual basis or when events or changes in circumstances indicate evidence of potential impairment exists, using a fair value based test.

### Accounting for Stock-Based Compensation

We recognize as expense, the grant-date fair value of stock options and other stock based compensation issued to employees and non-employee directors over the requisite service periods, which are typically the vesting periods. We use the Black-Scholes-Merton model to estimate the fair value of our stock-based payments. The volatility assumption used in the Black-Scholes-Merton model is based on the calculated historical volatility based on an analysis of reported data for a peer group of companies. The expected term of options granted by the Company has been determined based upon the simplified method, because we do not have sufficient historical information regarding its options to derive the expected term. Under this approach, the expected term is the mid-point between the weighted average of vesting period and the contractual term. The risk-free interest rate is based on U.S. Treasury rates whose term is consistent with the expected life of the stock options. We have not paid and do not anticipate paying cash dividends on our shares of common stock; therefore, the expected dividend yield is assumed to be zero. We estimate forfeitures based on our historical experience and adjust the estimated forfeiture rate based upon actual experience.

### Intellectual Property and Long-Lived Assets

Intellectual property consists of purchased patent rights. Amortization is recorded using the straight-line method over the estimated useful life of the patents of ten years. We review our long-lived assets including purchased intellectual property and property and equipment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine the recoverability of our long-lived assets, we evaluate the probability that future estimated undiscounted net cash flows will be less than the carrying amount of the assets. If such estimated cash flows are less than the carrying amount of the long-lived assets, then such assets are written down to their fair value. Our estimates of anticipated cash flows and the remaining estimated useful lives of long-lived assets could be reduced in the future, resulting in a reduction to the carrying amount of long-lived assets.

Inventory

Inventory, which includes material, labor and overhead costs, is stated at standard costs which approximates actual cost, determined on a first-in, first-out basis, not in excess of market value. We record reserves, when necessary, to reduce the carrying value of inventory to their net realizable value. At the point of loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Recent Accounting Pronouncements

See “Note 2. Summary of Significant Accounting Policies” of the Notes to Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, filed by the Company with the SEC on March 5, 2014, for a full description of recent accounting pronouncements including the respective expected dates of adoption and effects on Consolidated Balance Sheets and Consolidated Statements of Operations and Comprehensive Loss.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2014. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2014, our principal executive officer and principal financial officer concluded that, as of such a date, our disclosure controls and procedures were effective at the reasonable assurance level.

### Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the last quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Table of Contents

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

None.

### Item 1A. Risk Factors.

We discuss various risks that may materially affect our business in our Annual Report on Form 10-K/A for the year ended December 31, 2013 filed on April 2, 2014. There have been no material changes to such risks.

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

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information.

None.

### Item 6. Exhibits.

| Number | Description |
|---|---|
| 4.1 | Form of Warrant to Purchase Common Stock for warrants issued to the Lenders (incorporated by reference from the Company's Current Report on Form 8-K filed on September 30, 2014). |
| 10.1 | Amended and Restated Loan and Security Agreement, dated September 26, 2014, by and among TransEnterix, Inc., TransEnterix Surgical, Inc. and SafeStitch LLC, as Borrower, and Oxford Finance LLC, as Lender and Collateral Agent, and Silicon Valley Bank, as Lender (including form of Secured Promissory Note as Exhibit D) (incorporated by reference to Exhibit 10.1 from the Company's Current Report on Form 8-K filed on September 30, 2014). |
| 10.2 | Amendment No. 1 to Development and Supply Agreement, dated as of July 16, 2014, by and between Microline Surgical, Inc. and TransEnterix, Inc. (incorporated by reference to Exhibit 10.1 from the Company's Current Report on Form 8-K filed on July 18, 2014). |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)* |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)* |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 101.INS | XBRL Instance Document* |
| 101.SCH | XBRL Taxonomy Extension Schema Document* |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document* |

| Number | Description |
|---|---|
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document* |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document* |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document* |

* Filed herewith.

[Table of Contents](#)

**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.

| | |
|---|---|
| | **TransEnterix, Inc.** |
| Date: November 7, 2014 | By: /s/ Todd M. Pope<br>Todd M. Pope<br>President and Chief Executive Officer |
| Date: November 7, 2014 | By: /s/ Joseph P. Slattery<br>Joseph P. Slattery<br>Executive Vice President and Chief Financial Officer |

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO RULE 13A-14(A)/15D-14(A)**

I, Todd M. Pope, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransEnterix, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2014

/s/ Todd M. Pope

Todd M. Pope
President and Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO RULE 13A-14(A)/15D-14(A)**

I, Joseph P. Slattery, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransEnterix, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: November 7, 2014

/s/ Joseph P. Slattery
Joseph P. Slattery
Executive Vice President and Chief Financial Officer

**EXHIBIT 32.1**

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd M. Pope, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. Section 1350, that the Quarterly Report on Form 10-Q of TransEnterix, Inc. (the "Company") for the quarterly period ended September 30, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | |
|---|---|
| Date: November 7, 2014 | By: /s/ Todd M. Pope<br>Todd M. Pope<br>President and Chief Executive Officer |

This certification accompanies the Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this certification 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.

**EXHIBIT 32.2**

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph P. Slattery, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. Section 1350, that the Quarterly Report on Form 10-Q of TransEnterix, Inc. (the "Company") for the quarterly period ended September 30, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2014

By: /s/ Joseph P. Slattery
Joseph P. Slattery
Executive Vice President and Chief Financial Officer

This certification accompanies the Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this certification 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.