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 June 30, 2018

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	**11-2962080**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**
635 Davis Drive, Suite 300, Morrisville, NC	**27560**
(Address of principal executive offices)	**(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, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

208,968,535 shares of the Company's common stock, par value $0.001 per share, were outstanding as of August 3, 2018.

TRANSENTERIX, INC.

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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, or 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," "in the event that," "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," "Notes to Consolidated Financial Statements "and "Risk Factors" 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, 2017 filed on March 8, 2018, or the Fiscal 2017 Form 10-K, and other filings we make with the Securities and Exchange Commission, or SEC. 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., including its subsidiaries, TransEnterix International; TransEnterix Italia S.r.l.; TransEnterix Europe S.à.R.L; TransEnterix Asia Pte. Ltd.; TransEnterix Taiwan Ltd; and TransEnterix Japan KK.

Any disclosure in this report regarding the receipt of CE Mark or Section 510(k) clearance for any of the Company's products does not mean or infer any endorsement of the Company's products by any government agency including, without limitation, the U.S. Food and Drug Administration, or FDA.

TransEnterix, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	$ 6,389	$ 1,584	$ 11,156	$ 3,530
Cost of revenue	3,732	972	6,287	2,306
Gross profit	2,657	612	4,869	1,224
Operating Expenses (Income)				
Research and development	5,281	5,070	10,546	11,925
Sales and marketing	6,046	3,749	12,016	7,472
General and administrative	3,627	2,719	6,303	5,768
Amortization of intangible assets	2,743	1,687	5,570	3,323
Change in fair value of contingent consideration	812	(774)	1,439	453
Issuance costs for warrants	—	627	—	627
Gain from sale of SurgiBot assets, net	37	—	(11,959)	—
Total Operating Expenses (Income)	18,546	13,078	23,915	29,568
Operating Loss	(15,889)	(12,466)	(19,046)	(28,344)
Other Income (Expense)				
Change in fair value of warrant liabilities	(17,507)	(2,326)	(15,678)	(2,326)
Interest expense, net	(1,736)	(622)	(2,122)	(956)
Other income (expense)	1	(40)	(57)	(100)
Total Other Income (Expense), net	(19,242)	(2,988)	(17,857)	(3,382)
Loss before income taxes	$ (35,131)	$ (15,454)	$ (36,903)	$ (31,726)
Income tax benefit	883	741	1,773	1,599
Net loss	$ (34,248)	$ (14,713)	$ (35,130)	$ (30,127)
Other comprehensive loss				
Foreign currency translation (loss) gain	(4,398)	5,430	(2,090)	6,563
Comprehensive loss	$ (38,646)	$ (9,283)	$ (37,220)	$ (23,564)
Net loss per share - basic and diluted	$ (0.17)	$ (0.11)	$ (0.17)	$ (0.24)
Weighted average common shares outstanding - basic and diluted	204,504	132,386	202,214	127,052

See accompanying notes to consolidated financial statements.

TransEnterix, Inc.
Consolidated Balance Sheets
(in thousands, except share amounts)

	June 30, 2018 (unaudited)	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$ 97,743	$ 91,217
Accounts receivable, net	2,210	1,536
Inventories	11,040	10,817
Interest receivable	104	80
Other current assets	7,243	9,344
Total Current Assets	118,340	112,994
Restricted cash	750	6,389
Property and equipment, net	6,676	6,670
Intellectual property, net	45,909	52,638
Goodwill	70,813	71,368
Other long term assets	259	192
Total Assets	$ 242,747	$ 250,251
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 4,108	$ 3,771
Accrued expenses	10,270	10,974
Deferred revenue	1,083	1,088
Deferred gain from sale of SurgiBot assets	—	7,500
Contingent consideration – current portion	547	719
Notes payable - current portion, net of debt discount	—	4,788
Total Current Liabilities	16,008	28,840
Long Term Liabilities		
Contingent consideration – less current portion	12,915	11,699
Notes payable - less current portion, net of debt discount	18,952	8,385
Warrant liabilities	22,708	14,090
Net deferred tax liabilities	6,446	8,389
Total Liabilities	77,029	71,403
Commitments and Contingencies (Note 18)		
Stockholders' Equity		
Common stock $0.001 par value, 750,000,000 shares authorized at June 30, 2018 and December 31, 2017; 207,712,291 and 199,282,003 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	207	199
Additional paid-in capital	645,332	621,261
Accumulated deficit	(482,759)	(447,640)
Accumulated other comprehensive income	2,938	5,028
Total Stockholders' Equity	165,718	178,848
Total Liabilities and Stockholders' Equity	$ 242,747	$ 250,251

See accompanying notes to consolidated financial statements.

TransEnterix, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands)
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2017	199,282	$ 199	—	$ —	$ 621,261	$ (447,640)	$ 5,028	$ 178,848
Stock-based compensation	—	—	—	—	4,204	—	—	4,204
Issuance of common stock and warrants, net of issuance costs	—	—	—	—	2	—	—	2
Exercise of stock options and warrants	6,773	7	—	—	16,866	—	—	16,873
Award of restricted stock units	371	—	—	—	—	—	—	—
Return of common stock to pay withholding taxes on restricted stock	—	—	176	—	—	—	—	—
Cancellation of treasury stock	—	—	(176)	—	—	—	—	—
Issuance of common stock related to sale of SurgiBot assets	1,286	1	—	—	2,999	—	—	3,000
Cumulative effect of change in accounting principle (Note 2)	—	—	—	—	—	11	—	11
Other comprehensive loss	—	—	—	—	—	—	(2,090)	(2,090)
Net loss	—	—	—	—	—	(35,130)	—	(35,130)
Balance, June 30, 2018	207,712	$ 207	—	—	$ 645,332	$ (482,759)	$ 2,938	$ 165,718

See accompanying notes to consolidated financial statements.

TransEnterix, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2018	**2017**
Operating Activities		
Net loss	$ (35,130)	$ (30,127)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Gain from sale of SurgiBot assets, net	(11,959)	—
Depreciation	1,277	1,142
Amortization of intangible assets	5,570	3,323
Amortization of debt discount and debt issuance costs	495	43
Stock-based compensation	4,204	3,679
Deferred tax benefit	(1,799)	(1,580)
Loss on extinguishment of debt	1,400	308
Change in fair value of warrant liabilities	15,678	2,326
Change in fair value of contingent consideration	1,439	453
Changes in operating assets and liabilities:		
Accounts receivable	(762)	(487)
Interest receivable	(24)	39
Inventories	(1,560)	(862)
Other current and long term assets	1,905	(1,473)
Accounts payable	404	(1,909)
Accrued expenses	(359)	(390)
Deferred revenue	31	—
Net cash and cash equivalents used in operating activities	(19,190)	(25,515)
Investing Activities		
Proceeds related to sale of SurgiBot assets, net	4,496	—
Purchase of property and equipment	(358)	(1,397)
Purchase of intellectual property	—	(398)
Proceeds from sale of property and equipment	32	—
Net cash and cash equivalents provided by (used in) investing activities	4,170	(1,795)
Financing Activities		
Payment of notes payable	(15,305)	(13,343)
Proceeds from issuance of debt and warrants, net of issuance costs	18,870	13,196
Payment of contingent consideration	(395)	—
Proceeds from issuance of common stock and warrants, net of issuance costs	2	29,193
Taxes paid related to net share settlement of vesting of restricted stock units	—	(168)
Proceeds from issuance of common stock related to sale of SurgiBot assets	3,000	—
Proceeds from exercise of stock options and warrants	9,813	—
Net cash and cash equivalents provided by financing activities	15,985	28,878
Effect of exchange rate changes on cash and cash equivalents	(78)	2
Net increase in cash, cash equivalents and restricted cash	887	1,570
Cash, cash equivalents and restricted cash, beginning of period	97,606	34,590
Cash, cash equivalents and restricted cash, end of period	$ 98,493	$ 36,160
Supplemental Disclosure for Cash Flow Information		
Interest paid	$ 599	$ 368
Supplemental Schedule of Noncash Investing and Financing Activities		
Transfer of inventories to property and equipment	$ 1,055	$ —
Issuance of common stock as contingent consideration	$ —	$ 5,227
Relative fair value of warrants issued with debt	$ —	$ 300
Reclass of warrant liability to common stock and additional paid-in capital	$ 7,060	$ —

See accompanying notes to consolidated financial statements.

1. Organization and Capitalization

TransEnterix, Inc. (the "Company") is a medical device company that is digitizing the interface between the surgeon and the patient to improve minimally invasive surgery by addressing the clinical and economic challenges associated with current laparoscopic and robotic options in today's value-based healthcare environment. The Company is focused on the commercialization of the Senhance™ Surgical System (the "Senhance System"), which digitizes laparoscopic minimally invasive surgery. The Senhance System allows for robotic precision, haptic feedback, surgeon camera control via eye sensing and improved ergonomics while offering responsible economics.

The Senhance System has been granted a CE Mark in Europe for laparoscopic abdominal and pelvic surgery, as well as limited thoracic operations excluding cardiac and vascular surgery. In April 2017, the Company submitted a 510(k) application to the FDA for the Senhance System. On October 13, 2017, the Company received 510(k) clearance from the FDA for use in laparoscopic colorectal and gynecologic surgery. In May 2018, the Company received 510(k) clearance from the FDA expanding the indications for use in laparoscopic inguinal hernia and laparoscopic cholecystectomy (gallbladder removal) surgery. The Senhance System is available for sale in the U.S., the EU and select other countries.

The Senhance System is a multi-port robotic surgery system which allows multiple robotic arms to control instruments and a camera. The system features advanced technology to enable surgeons with haptic feedback and the ability to move the camera via eye movement. The system replicates laparoscopic motion that is familiar to experienced surgeons, and integrates three-dimensional high definition vision technology. The Senhance System also offers responsible economics to hospitals by offering robotic technology with reusable instruments thereby reducing additional costs per surgery when compared to other robotic solutions.

The Company also developed the SurgiBot™ System, a single-port, robotically enhanced laparoscopic surgical platform. On December 18, 2017, the Company announced that it had entered into an agreement with Great Belief International Limited ("GBIL") to advance the SurgiBot System towards global commercialization. The agreement transfers ownership of the SurgiBot System assets, while the Company retains the option to distribute or co-distribute the SurgiBot System outside of China. GBIL intends to have the SurgiBot System manufactured in China and obtain Chinese regulatory clearance from the China Food and Drug Administration ("CFDA"), while entering into a nationwide distribution agreement with China National Scientific and Instruments and Materials Company ("CSIMC") for the Chinese market. The agreement provides the Company with proceeds of at least $29 million, of which $7.5 million was received in December 2017. An additional $7.5 million was received at the second closing in March 2018, which included a $3.0 million equity investment at $2.33 per share of common stock. The remaining $14.0 million, representing minimum royalties, will be paid beginning at the earlier of receipt of Chinese regulatory approval or five years after the second closing date.

On September 18, 2015, the Company entered into a Membership Interest Purchase Agreement, (the "Purchase Agreement") with Sofar S.p.A., ("Sofar") as seller, Vulcanos S.r.l. ("Vulcanos"), as the acquired company, and TransEnterix International, Inc. ("TransEnterix International"), a direct, wholly owned subsidiary of the Company which was incorporated in September 2015, as buyer. The closing of the transactions occurred on September 21, 2015 (the "Closing Date") pursuant to which the Company acquired all of the membership interests of Vulcanos from Sofar (now known as the "Senhance Acquisition"), and changed the name of Vulcanos to TransEnterix Italia S.r.l ("TransEnterix Italia"). The Senhance Acquisition included all of the assets, employees and contracts related to the Senhance System. See Note 3 for a description of the related transactions.

On September 3, 2013, TransEnterix Surgical, Inc. a Delaware corporation ("TransEnterix Surgical"), and SafeStitch Medical, Inc., a Delaware corporation ("SafeStitch") 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. and increased the authorized shares of common stock from 225,000,000 to 750,000,000, and authorized 25,000,000 shares of preferred stock, par value $0.01 per share.

As used herein, the term "Company" refers to the combination of SafeStitch and TransEnterix Surgical after giving effect to the Merger, and includes TransEnterix International, Inc.; TransEnterix Italia S.r.l.; TransEnterix Asia Pte. Ltd.; TransEnterix Taiwan Ltd.; and TransEnterix Japan KK.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with the instructions to Form 10-Q and the standards of accounting measurement set forth in the Interim Reporting Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Consequently, the Company has not necessarily included in this Form 10-Q all information and footnotes required for audited financial statements. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements in this Form 10-Q contain all adjustments, consisting only of normal recurring adjustments, except as otherwise indicated, necessary for a fair statement of its financial position, results of operations, and cash flows of the Company for all periods presented. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for any subsequent period or for the entire year. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's audited financial statements and the notes thereto included in the Fiscal 2017 Form 10-K. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP") have been condensed or omitted in the accompanying interim consolidated financial statements. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The accompanying Consolidated Financial Statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries, SafeStitch LLC, TransEnterix Surgical, Inc., TransEnterix International, Inc., TransEnterix Italia S.r.l., TransEnterix Europe S.Á.R.L; TransEnterix Asia Pte. Ltd.; TransEnterix Taiwan Ltd.; and TransEnterix Japan KK. All inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include identifiable intangible assets and goodwill, contingent consideration, warrant liabilities, stock compensation expense, restructuring and other charges, excess and obsolete inventory reserves, and deferred tax asset valuation allowances.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents.

Restricted cash at June 30, 2018 includes $750,000 in cash accounts held as collateral primarily under the terms of an office operating lease, credit cards and automobile leases. Restricted cash at December 31, 2017 includes $6.0 million in a money market account, held in connection with the Company's notes payable and $389,000 in cash accounts held as collateral primarily under the terms of an office operating lease, credit card agreement and automobile leases.

Concentrations and Credit Risk

The Company's principal financial instruments subject to potential concentration of credit risk are cash and cash equivalents, including amounts held in money market accounts. The Company places cash deposits with a federally insured financial institution. The Company maintains its cash at banks and financial institutions it considers to be of high credit quality; however, the Company's cash deposits may at times exceed the FDIC insured limit. Balances in excess of federally insured limitations may not be insured. The Company has not experienced losses on these accounts, and management believes that the Company is not exposed to significant risks on such accounts.

The Company's accounts receivable are derived from net revenue to customers located throughout the world. The Company evaluates its customers' financial condition and, generally, requires no collateral from its customers. The Company provides reserves for potential credit losses but has not experienced significant losses to date. The Company had one customer who accounted for 78% of the Company's net accounts receivable at June 30, 2018 and a different customer who constituted 88% of the Company's net accounts receivable at December 31, 2017. The Company had five customers who accounted for 94% of the Company's net revenue for the six months ended June 30, 2018 and two customers who constituted 91% of the Company's net revenue for the six months ended June 30, 2017. The Company had three customers who accounted for 96% of the Company's net revenue for the three months ended June 30, 2018 and one customer who constituted 88% of the Company's net revenue for the three months ended June 30, 2017.

Accounts Receivable

Accounts receivable are recorded at net realizable value, which includes an allowance for estimated uncollectable accounts. The allowance for uncollectible accounts was determined based on historical collection experience.

Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Inventory costs include direct materials, direct labor, and normal manufacturing overhead. The Company records reserves, when necessary, to reduce the carrying value of inventory to its net realizable value. Management considers forecast demand in relation to the inventory on hand, competitiveness of product offerings, market conditions and product life cycles when determining excess and obsolescence and net realizable value adjustments. 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.

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 to 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.

Intellectual property consists of purchased patent rights and developed technology acquired as part of a business acquisition. Amortization of the patent rights is recorded using the straight-line method over the estimated useful life of the patents of 10 years. Amortization of the developed technology is recorded using the straight-line method over the estimated useful life of 5 to 7 years. This method approximates the period over which the Company expects to receive the benefit from these assets. No impairment existed at June 30, 2018 or December 31, 2017.

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 31 or when events or changes in circumstances indicate evidence a potential impairment exists, using a fair value based test. The Company continues to operate in one segment, which is considered to be the sole reporting unit and therefore, goodwill is tested for impairment at the enterprise level. No impairment existed at June 30, 2018 or December 31, 2017.

In-Process Research and Development

In-process research and development (“IPR&D”) assets represent the fair value assigned to technologies that were acquired, which at the time of acquisition have not reached technological feasibility and have no alternative future use. IPR&D assets are considered to be indefinite-lived until the completion or abandonment of the associated research and development projects. During the period that the IPR&D assets are considered indefinite-lived, they are tested for impairment on an annual basis, or more frequently if the Company becomes aware of any events occurring or changes in circumstances that indicate that the fair value of the IPR&D assets are less than their carrying amounts. If and when development is complete, which generally occurs upon regulatory approval, and the Company is able to commercialize products associated with the IPR&D assets, these assets are then deemed definite-lived and are amortized based on their estimated useful lives at that point in time. If development is terminated or abandoned, the Company may have a full or partial impairment charge related to the IPR&D assets, calculated as the excess of carrying value of the IPR&D assets over fair value. The IPR&D was acquired on September 21, 2015.

On October 13, 2017, upon regulatory approval and the ability to commercialize the products associated with the IPR&D assets, the assets were deemed definite-lived, reclassified to intellectual property and are now amortized based on their estimated useful lives.

Property and Equipment

Property and equipment consists primarily of machinery, manufacturing equipment, demonstration equipment, computer equipment, furniture, and leasehold improvements, which are recorded at cost.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Machinery, manufacturing and demonstration equipment	3-5 years
Computer equipment	3 years
Furniture	5 years
Leasehold improvements	Lesser of lease term or 3 to 10 years

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to operations. Repairs and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine the recoverability of its long-lived assets, the Company evaluates 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. The Company's 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.

Contingent Consideration

Contingent consideration is recorded as a liability and is the estimate of the fair value of potential milestone payments related to business acquisitions. Contingent consideration is measured at fair value using a discounted cash flow model utilizing significant unobservable inputs including the probability of achieving each of the potential milestones and an estimated discount rate associated with the risks of the expected cash flows attributable to the various milestones. Significant increases or decreases in any of the probabilities of success or changes in expected timelines for achievement of any of these milestones would result in a significantly higher or lower fair value of these milestones, respectively, and commensurate changes to the associated liability. The contingent consideration is revalued at each reporting period and changes in fair value are recognized in the consolidated statements of operations and comprehensive loss.

Deferred Gain from Sale of SurgiBot Assets

In conjunction with the agreement with GBIL in relation to the transfer of the SurgiBot System assets, the Company received $7.5 million in December 2017. This amount was included in deferred gain from sale of SurgiBot assets in the consolidated balance sheet pending transfer of the assets in March 2018 and was recognized in gain from sale of SurgiBot assets in the consolidated statement of operations and comprehensive loss for the six months ended June 30, 2018.

Warrant Liabilities

The Company's Series B Warrants are measured at fair value using a simulation model which takes into account, as of the valuation date, factors including the current exercise price, the expected life of the warrant, the current price of the underlying stock, its expected volatility, holding cost and the risk-free interest rate for the term of the warrant (see Note 5). The warrant liability is revalued at each reporting period and changes in fair value are recognized in the consolidated statements of operations and comprehensive loss. The selection of the appropriate valuation model and the inputs and assumptions that are required to determine the valuation requires significant judgment and requires management to make estimates and assumptions that affect the reported amount of the related liability and reported amounts of the change in fair value. Actual results could differ from those estimates, and changes in these estimates are recorded when known. As the warrant liability is required to be measured at fair value at each reporting date, it is reasonably possible that these estimates and assumptions could change in the near term.

Translation of Foreign Currencies

The functional currency of the Company's operational foreign subsidiaries is Euros. The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. The cumulative translation effect for a subsidiary using a functional currency other than the U.S. dollar is included in accumulated other comprehensive income or loss as a separate component of stockholders' equity.

The Company's intercompany accounts are denominated in the functional currency of the foreign subsidiary. Gains and losses resulting from the remeasurement of intercompany receivables that the Company considers to be of a long-term investment nature are recorded as a cumulative translation adjustment in accumulated other comprehensive income or loss as a separate component of stockholders' equity, while gains and losses resulting from the remeasurement of intercompany receivables from a foreign subsidiary for which the Company anticipates settlement in the foreseeable future are recorded in the consolidated statement of operations and comprehensive loss. The net gains and losses included in net loss in the consolidated statements of operations and comprehensive loss for the six months ended June 30, 2018 and 2017 were not significant.

Risk and Uncertainties

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 its products; changes in the health care and regulatory environments of the United States, Italy, other countries in the European Union, and other countries in which the Company intends to operate; its ability to attract and retain key management, marketing and scientific personnel; competition from 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 concern; competition in the market for robotic surgical devices; and its ability to identify and pursue development of additional products.

Revenue Recognition

The Company adopted ASC Topic 606, *Revenue from Contracts with Customers*, on January 1, 2018. The Company's revenue consists of product revenue resulting from the sale of systems, system components, instruments and accessories, and service revenue. The Company accounts for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. The Company's revenues are measured based on consideration specified in the contract with each customer, net of any sales incentives and taxes collected from customers that are remitted to government authorities.

The Company's system sale arrangements generally contain multiple products and services. For these bundled sale arrangements, the Company accounts for individual products and services as separate performance obligations if they are distinct, which is if a product or service is separately identifiable from other items in the bundled package, and if a customer can benefit from it on its own or with other resources that are readily available to the customer. The Company's system sale arrangements include a combination of the following performance obligations: system(s), system components, instruments, accessories, and system service. The Company's system sale arrangements generally include a five-year period of service. The first year of service is generally free and included in the system sale arrangement and the remaining four years are generally included at a stated service price. The Company considers the service terms in the arrangements that are legally enforceable to be performance obligations. Other than service, the Company generally satisfies all of the performance obligations up-front. System components, system accessories, instruments, accessories, and service are also sold on a standalone basis.

The Company recognizes revenues as the performance obligations are satisfied by transferring control of the product or service to a customer. The Company generally recognizes revenue for the performance obligations as follows:

- System sales. For systems and system components sold directly to end customers, revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. For systems sold through distributors, for which distributors are responsible for installation, revenue is recognized generally at the time of shipment. The Company's system arrangements generally do not provide a right of return. The systems are generally covered by a one-year warranty. Warranty costs were not material for the periods presented.
- Instruments and accessories. Revenue from sales of instruments and accessories is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but also occurs at the time of delivery depending on the customer arrangement. Accessory products include sterile drapes used to help ensure a sterile field during surgery, vision products such as replacement endoscopes, camera heads, light guides, and other items that facilitate use of the Senhance Surgical System.
- Service. Service revenue is recognized ratably over the term of the service period as the customers benefit from the service throughout the service period. Revenue related to services performed on a time-and-materials basis is recognized when performed.

For multiple-element arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which the Company separately sells the products or services. Due to limited sales to date, standalone selling prices are not directly observable. The Company estimates the standalone selling price using the market assessment approach considering market conditions and entity-specific factors including, but not limited to, features and functionality of the products and services, geographies, type of customer, and market conditions. The Company regularly reviews standalone selling prices and updates these estimates if necessary.

The following table presents revenue disaggregated by types and geography:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands) (unaudited)		(in thousands) (unaudited)	
U.S.				
Systems	$ 875	$ —	$ 875	$ —
Instruments and accessories	409	—	409	—
Services	28	—	49	—
Total U.S. revenue	1,312	—	1,333	—
Outside of U.S. ("OUS")				
Systems	3,782	1,400	7,236	2,972
Instruments and accessories	1,101	34	2,212	311
Services	194	150	375	247
Total OUS revenue	5,077	1,584	9,823	3,530
Total				
Systems	4,657	1,400	8,111	2,972
Instruments and accessories	1,510	34	2,621	311
Services	222	150	424	247
Total revenue	$ 6,389	$ 1,584	$ 11,156	$ 3,530

The Company recognizes sales by geographic area based on the country in which the customer is based.

Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to service obligations performed under the Company's system sales contracts that will be invoiced and recognized as revenue in future periods. Transaction price allocated to remaining performance obligations was approximately $3.6 million as of June 30, 2018.

The Company invoices its customers based on the billing schedules in its sales arrangements. Contract assets for the periods presented primarily represent the difference between the revenue that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Contract assets are included in accounts receivable and totaled $0.1 million and $0 as of June 30, 2018 and 2017, respectively. Deferred revenue for the periods presented was primarily related to service obligations, for which the service fees are billed up-front, generally annually. The associated deferred revenue is generally recognized ratably over the service period. The Company did not have any significant impairment losses on its contract assets for the periods presented. Revenue recognized for the six months ended June 30, 2018 and 2017, that was included in the deferred revenue balance at the beginning of each reporting period was $0.2 million and $0.2 million, respectively.

In connection with assets recognized from the costs to obtain a contract with a customer, the Company determined that the sales incentive programs for its sales team do not meet the requirements to be capitalized as the Company does not expect to generate future economic benefits from the related revenue from the initial sales transaction.

Cost of Revenue

Cost of revenue consists of contract manufacturing, materials, labor and manufacturing overhead incurred internally to produce the products. Shipping and handling costs incurred by the Company are included in cost of revenue.

Research and Development Costs

Research and development expenses primarily consist of engineering, product development and regulatory expenses, incurred in the design, development, testing and enhancement of our products. Research and development costs are expensed as incurred.

Stock-Based Compensation

The Company follows ASC 718 “Stock Compensation” and ASC 505-50 “Equity-Based Payments to Non-employees”, which provide guidance in accounting for share-based awards exchanged for services rendered and requires companies to expense the estimated fair value of these awards over the requisite service period. For awards granted to non-employees, the Company determines the fair value of the stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. If the fair value of the equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of either (1) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty’s performance is complete.

The Company recognizes compensation expense for stock-based awards based on estimated fair values on the date of grant for awards granted to employees. The Company uses the Black-Scholes-Merton option pricing model to determine the fair value of stock options. The fair value of restricted stock units is determined by the market price of the Company’s common stock on the date of grant. The expense associated with stock-based compensation is recognized on a straight-line basis over the requisite service period of each award.

The Company records as expense the fair value of stock-based compensation awards, including stock options and restricted stock units. Compensation expense for stock-based compensation was approximately $4,204,000 and $3,679,000 for the six months ended June 30, 2018 and 2017, respectively.

The TransEnterix, Inc. 2007 Incentive Compensation Plan (the “Plan”) was originally approved by the Company’s board of directors, (the “Board”) and adopted by the majority of the Company’s stockholders on November 13, 2007. The Plan has been subsequently amended, and approved by stockholders, as required, to increase the number of shares available under the Plan and to make other changes. As of May 24, 2018, the date of the Company’s annual meeting of stockholders for 2018, the number of shares of common stock, par value $0.001 per share (the “Common Stock”), authorized under the Plan is 40,940,000.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets or liabilities for the temporary differences between financial reporting and tax basis of the Company’s assets and liabilities, and for tax carryforwards at enacted statutory rates in effect for the years in which the asset or liability is expected to be realized. The effect on deferred taxes of a change in tax rates is recognized in income during the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amounts expected to be realized.

On December 22, 2017, the Tax Cuts and Jobs Act (“Tax Legislation”) was enacted into law, which reduced the US federal corporate income tax rate to 21% for tax years beginning after December 31, 2017. As a result of the newly enacted tax rate, the Company adjusted its U.S. deferred tax assets as of December 31, 2017, by applying the new 21% rate, which resulted in a decrease to the deferred tax assets and a corresponding decrease to the valuation allowance of approximately $36.1 million.

The Tax Legislation also implements a territorial tax system. Under the territorial tax system, in general, the Company's foreign earnings will no longer be subject to tax in the U.S. As part of transition to the territorial tax system the Tax Legislation includes a mandatory deemed repatriation of all undistributed foreign earnings that are subject to a U.S. income tax. The Company estimates that the deemed repatriation will not result in any additional U.S. income tax liability as it estimates it currently has no undistributed foreign earnings.

In accordance with Staff Accounting Bulletin (“SAB”) No. 118, income tax effects of the Tax Legislation may be refined upon obtaining, preparing, or analyzing additional information during a measurement period of one year. During the measurement period provisional amounts may be adjusted for the effects, if any, of interpretive guidance issued after December 31, 2017, by U.S. regulatory and standard-setting bodies.

Comprehensive Loss

Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources.

Segments

The Company operates in one business segment—the research, development and sale of medical device robotics to improve minimally invasive surgery. The Company's chief operating decision maker (determined to be the Chief Executive Officer) does not manage any part of the Company separately, and the allocation of resources and assessment of performance are based on the Company's consolidated operating results. Approximately 61% and 60% of the Company's total consolidated assets are located within the U.S. as of June 30, 2018 and December 31, 2017, respectively. The remaining assets are mostly located in Europe and are primarily related to the Company's facility in Italy, and include goodwill, intellectual property, other current assets, property and equipment, cash, accounts receivable and inventory of $93.7 million and $99.9 million at June 30, 2018 and December 31, 2017, respectively. Total assets outside of the U.S. excluding goodwill amounted to 30% and 31% of total consolidated assets at June 30, 2018 and December 31, 2017, respectively. The Company recognizes sales by geographic area based on the country in which the customer is based. For the six months ended June 30, 2018, 12% of net revenue was generated in the U.S. and 87% was generated in Europe. For the six months ended June 30, 2017, 100% of net revenue was generated in Europe.

Impact of Recently Issued Accounting Standards

In June 2018, the FASB issued ASU 2018-07, *Compensation-Stock Compensation (Topic 718), Improvements to Nonemployee Share-based Payments* ("ASU 2018-07"). This ASU expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The new guidance is required to be applied retrospectively with the cumulative effect recognized at the date of initial application. The Company is currently assessing this ASU and has not yet determined the impact ASU 2018-07 may have on its consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception.* The amendments in this update are intended to simplify the accounting for certain equity-linked financial instruments and embedded features with down round features that result in the strike price being reduced on the basis of the pricing of future equity offerings. Under the new guidance, a down round feature will no longer need to be considered when determining whether certain financial instruments or embedded features should be classified as liabilities or equity instruments. That is, a down round feature will no longer preclude equity classification when assessing whether an instrument or embedded feature is indexed to an entity's own stock. In addition, the amendments clarify existing disclosure requirements for equity-classified instruments. These amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The adoption of this ASU should not have a material impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)* which addresses changes to reduce the presentation diversity of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, and distributions received from equity method investees. The guidance became effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. An entity that elects early adoption must adopt all of the amendments in the same period. The new standard will be applied retrospectively, but may be applied prospectively if retrospective application would be impracticable. The adoption of this ASU did not have an impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In July 2018, the FASB issued ASU 2018-10, which provides narrow-scope improvements to the lease standard. The Company currently expects that upon adoption, ROU assets and lease liabilities will be recognized in the balance sheet in amounts that the Company does not expect will have a material impact on the consolidated financial statements based on the Company's current leases.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income — Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20) — Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. The new standard clarifies the scope of guidance applicable to sales of nonfinancial assets and also provides guidance on accounting for partial sales of such assets. The adoption of this ASU did not have an impact on the consolidated financial statements.

The Company adopted the New Revenue Standard in the first quarter of fiscal year 2018 using the modified retrospective method resulting in a cumulative catch-up adjustment to opening retained earnings. The Company applied the New Revenue Standard to all contracts and concluded that the timing and measurement of revenue recognition is materially consistent under the New Revenue Standard, except for the future billings related to future service included in its multi-year contracts that should be part of the consideration allocated to all performance obligations under the New Revenue Standard. Under the prior standard, future service billings were considered to be contingent revenue, and therefore, were not included in the consideration allocated. Accordingly, the amount of consideration allocated to the performance obligations identified in the Company's system arrangements is different under the New Revenue Standard than the amount allocated under the prior standard. In general, this will result in an acceleration of the amount of revenue recognized for system sales with multi-year service contracts. Due to limited sales to date, the Company recorded a $11,000 cumulative catch-up adjustment to retained earnings in the first quarter of fiscal year 2018, offset by reductions in accounts receivable of $4,000 and deferred revenue of $15,000. Under the prior standard, revenue would have been $8,000 greater in the first quarter of fiscal year 2018 than under the New Revenue Standard.

Classification of Certain Items Within the Company's Form 10-K

Certain reclassifications of prior period amounts will be made within the Company's Form 10-K filing for the year ended December 31, 2018 to conform to current period presentation. Specifically, during the six months ended June 30, 2018, the Company determined that the amount related to the deferred gain on sale of SurgiBot assets as reflected within one line in the operating activities section of the consolidated statement of cash flows for the year ended December 31, 2017 should have been classified as cash flows provided from investing activities. There is no impact to the consolidated statements of operations or consolidated balance sheets. The Company evaluated the effect of this misclassification and concluded it was not material to any of its previously issued consolidated financial statements. Upon revision, cash flows from operating activities for the year ended December 31, 2017, will decrease by $7.5 million to cash and cash equivalents used in operating activities of $47.3 million and cash flows from investing activities will increase by $7.5 million to cash and cash equivalents provided by investing activities of $5.5 million. There is no impact of the reclassification to the six months ended June 30, 2017.

3. Acquisition of Senhance Surgical Robotic System

On September 21, 2015, the Company completed the strategic acquisition, through its wholly owned subsidiary TransEnterix International, from Sofar, of all of the assets, employees and contracts related to the advanced robotic system for minimally invasive laparoscopic surgery now known as the Senhance System and changed the name of the acquired company from Vulcanos S.r.l. to TransEnterix Italia S.r.l.

Under the terms of the Purchase Agreement, the consideration consisted of the issuance of 15,543,413 shares of the Company's common stock (the "Securities Consideration") and approximately $25.0 million U.S. Dollars and €27.5 million Euro in cash consideration (the "Cash Consideration"). The Securities Consideration was issued in full at the closing of the Senhance Acquisition; the Cash Consideration was or will be paid in four tranches, as follows:

(1) $25.0 million of the Cash Consideration, which was paid at closing.

(2) On December 30, 2016, the Company and Sofar entered into an Amendment to the Purchase Agreement (the "Amendment") to restructure the terms of the second tranche of the Cash Consideration (the "Second Tranche"). Under the Amendment, the Second Tranche was restructured to be paid through the (A) the issuance of 3,722,685 shares of the Company's common stock with an aggregate fair market value of €5.0 million and (B) the payment of €5.0 million in cash upon the occurrence of either (i) receipt of clearance from the FDA for the Senhance System; or (ii) the Company having cash on hand of at least $50.0 million, or (iii) successfully completing a financing, raising at least $50.0 million in gross proceeds after September 2015, exclusive of any financing proceeds related to the December 2016 purchase agreement between the Company and Lincoln Park Capital Fund, LLC; with payment of simple interest at a rate of 9.0% per annum beginning on December 31, 2016. The Five Million Euro (€5,000,000) cash payment began to accrue simple interest at a rate of 9% per annum beginning on December 31, 2016 and continued to accrue interest until November 15, 2017 when it was paid in full.

(3) The third tranche of the Cash Consideration (the "Third Tranche") of €15.0 million shall be payable upon achievement of trailing revenues from sales or services contracts of the Senhance System of at least €25.0 million over a calendar quarter.

(4) The fourth tranche of the Cash Consideration of €2.5 million was payable in installments by December 31 of each year as reimbursement for certain debt payments made by Sofar under an existing Sofar loan agreement in such year, with payments beginning as of December 31, 2016. As of June 30, 2018, the Company had paid €2.1 million of the fourth tranche.

The Third Tranche payments will be accelerated in the event that (i) the Company or TransEnterix International is acquired, (ii) the Company significantly reduces or suspends selling efforts of the Senhance System, or (iii) the Company acquires a business that offers alternative products that are directly competitive with the Senhance System.

The Purchase Agreement contains customary representations and warranties of the parties and the parties have customary indemnification obligations, which are subject to certain limitations described further in the Purchase Agreement.

The Senhance Acquisition was accounted for as a business combination utilizing the methodology prescribed in ASC 805. The purchase price for the Senhance Acquisition was allocated to the assets acquired and liabilities assumed based on their estimated fair values.

4. Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents and restricted cash consist of the following:

	June 30, 2018	December 31, 2017
	(In thousands)	
	(unaudited)	
Cash	$ 9,752	$ 4,039
Money market	87,991	87,178
Total cash and cash equivalents	$ 97,743	$ 91,217
Restricted cash	$ 750	$ 6,389
Total	$ 98,493	$ 97,606

Restricted cash at June 30, 2018 includes $750,000 in cash accounts held as collateral primarily under the terms of an office operating lease, credit card agreement and automobile leases. Restricted cash at December 31, 2017 includes $6.0 million in a money market account, held in connection with the Company's notes payable and $389,000 in cash accounts held as collateral primarily under the terms of an office operating lease, credit card agreement and automobile leases.

5. Fair Value

The Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis. These assets and liabilities include cash and cash equivalents, restricted cash, contingent consideration and warrant liabilities. 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. The Company did not have any transfers of assets and liabilities between Level 1, Level 2, and Level 3 of the fair value hierarchy during the six months ended June 30, 2018 and the year ended December 31, 2017.

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 carrying values of accounts receivable, interest receivable, accounts payable, and certain accrued expenses at June 30, 2018 and December 31, 2017, approximate their fair values due to the short-term nature of these items. The Company's notes payable balance also approximates fair value as of June 30, 2018 and December 31, 2017, as the interest rates on the notes payable approximate the rates available to the Company as of these dates.

The following are the major categories of assets measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	June 30, 2018 (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**
Assets measured at fair value				
Cash and cash equivalents	$ 97,743	$ —	$ —	$ 97,743
Restricted cash	750	—	—	750
Total Assets measured at fair value	$ 98,493	$ —	$ —	$ 98,493
Liabilities measured at fair value				
Contingent consideration	$ —	$ —	$ 13,462	$ 13,462
Warrant liabilities	—	—	22,708	22,708
Total liabilities measured at fair value	$ —	$ —	$ 36,170	$ 36,170

	December 31, 2017 (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**
Assets measured at fair value				
Cash and cash equivalents	$ 91,217	$ —	$ —	$ 91,217
Restricted cash	6,389	—	—	6,389
Total Assets measured at fair value	$ 97,606	$ —	$ —	$ 97,606
Liabilities measured at fair value				
Contingent consideration	$ —	$ —	$ 12,418	$ 12,418
Warrant liabilities	—	—	14,090	14,090
Total liabilities measured at fair value	$ —	$ —	$ 26,508	$ 26,508

The Company's financial liabilities consisted of contingent consideration potentially payable to Sofar related to the Senhance Acquisition in September 2015 (Note 3). This liability is reported as Level 3 as estimated fair value of the contingent consideration related to the acquisition requires significant management judgment or estimation and is calculated using the income approach, using various revenue and cost assumptions and applying a probability to each outcome. The change in fair value of the contingent consideration of $1.4 million for the six months ended June 30, 2018 was primarily due to a change in the estimated discount rate, the effect of the passage of time on the fair value measurement and the impact of foreign currency exchange rates. The change in fair value of the contingent consideration of $0.5 million for the six months ended June 30, 2017 was primarily due to the effect of the passage of time on the fair value measurement and the impact of foreign currency exchange rates. Adjustments associated with the change in fair value of contingent consideration are included in the Company's consolidated statements of operations and comprehensive loss.

On April 28, 2017, the Company sold 24.9 million units (the "Units"), each consisting of one share of the Company's Common Stock, a Series A warrant to purchase one share of Common Stock with an exercise price of $1.00 per share (the "Series A Warrants"), and a Series B warrant to purchase 0.75 shares of Common Stock with an exercise price of $1.00 per share (the "Series B Warrants," together with the Series A Warrants, the "Warrants"), at an offering price of $1.00 per Unit. Each Series A Warrant was exercisable at any time beginning on the date of issuance, and from time to time thereafter, through and including the first anniversary of the

issuance date, unless terminated earlier as provided in the Series A Warrant. Receipt of 510(k) clearance for the Senhance System on October 13, 2017, triggered the acceleration of the expiration date of the Series A Warrants to October 31, 2017. Each Series B Warrant may be exercised at any time beginning on the date of issuance and from time to time thereafter through and including the fifth anniversary of the issuance date.

The fair value of the Series A Warrants of $2.5 million at the date of issuance was estimated using the Black-Scholes Merton model which used the following inputs: term of 1 year, risk free rate of 1.07%, no dividends, volatility of 73.14%, and share price of $0.65 per share based on the trading price of the Company's Common Stock. All Series A Warrants were exercised as of December 31, 2017.

The change in fair value of warrants for the six months ended June 30, 2018 and 2017 of $15.7 million and $2.3 million, respectively was included in the Company's consolidated statement of operations and comprehensive loss. The following table presents the inputs and valuation methodologies used for the Company's fair value of the Series B warrants:

Series B	June 30, 2018	December 31, 2017	April 28, 2017 (date of issuance)
Fair value	$22.7 million	$14.1 million	$6.2 million
Valuation methodology	Monte Carlo	Monte Carlo	Black-Scholes Merton
Term	3.83 years	4.33 years	5 years
Risk free rate	2.67%	2.13%	1.81%
Dividends	—	—	—
Volatility	88.50%	80.60%	73.14%
Share price	$4.36	$1.93	$0.65
Probability of additional financing	50% in 2018 and 50% in 2019	25% in 2018 and 75% in 2019	Not Applicable

The following table presents quantitative information about the inputs and valuation methodologies used for the Company's fair value measurements classified in Level 3, with the exception of the warrant liability, which is explained above as of June 30, 2018 and December 31, 2017:

	Valuation Methodology	Significant Unobservable Input	Weighted Average (range, if applicable)
Contingent consideration	Probability weighted income approach	Milestone dates	2018 to 2020
		Discount rate	7.5% to 12%
		Probability of occurrence	100%

The following table summarizes the change in fair value, as determined by Level 3 inputs, for all assets and liabilities using unobservable Level 3 inputs for the six months ended June 30, 2018:

	Fair Value Measurement at Reporting Date (Level 3) (In thousands) (unaudited)	
	Common stock warrants	Contingent consideration
Balance at December 31, 2017	$ 14,090	$ 12,418
Exercise of warrants	(7,060)	—
Change in fair value	15,678	1,439
Payment for contingent consideration	—	(395)
Balance at June 30, 2018	$ 22,708	$ 13,462
Current portion	—	547
Long-term portion	22,708	12,915
Balance at June 30, 2018	$ 22,708	$ 13,462

6. Accounts Receivable, Net

The following table presents the components of accounts receivable:

	June 30, 2018	December 31, 2017
	(In thousands) (unaudited)	
Gross accounts receivable	$ 2,283	$ 1,609
Allowance for uncollectible accounts	(73)	(73)
Total accounts receivable, net	$ 2,210	$ 1,536

7. Inventories

The components of inventories are as follows:

	June 30, 2018	December 31, 2017
	(In thousands) (unaudited)	
Finished goods	$ 5,803	$ 4,432
Raw materials	5,237	6,385
Total inventories	$ 11,040	$ 10,817

8. Other Current Assets

The following table presents the components of other current assets:

	June 30, 2018	December 31, 2017
	(In thousands) (unaudited)	
Advances to vendors	$ 5,513	$ 6,403
Prepaid expenses	1,646	1,519
Other receivables	84	1,422
Total	$ 7,243	$ 9,344

9. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2018	December 31, 2017
	(In thousands) (unaudited)	
Machinery, manufacturing and demonstration equipment	$ 11,894	$ 10,866
Computer equipment	2,260	2,187
Furniture	592	598
Leasehold improvements	2,229	2,237
Total property and equipment	16,975	15,888
Accumulated depreciation and amortization	(10,299)	(9,218)
Property and equipment, net	$ 6,676	$ 6,670

Depreciation expense was $1,277,000 and $1,142,000, for the six months ended June 30, 2018 and 2017, respectively.

10. Goodwill, In-Process Research and Development and Intellectual Property

Goodwill

Goodwill of $93.8 million was recorded in connection with the Merger, as described in Note 1, and goodwill of $38.3 million was recorded in connection with the Senhance Acquisition, as described in Note 3. The carrying value of goodwill and the change in the balance for the six months ended June 30, 2018 is as follows:

	Goodwill
	(In thousands) (unaudited)
Balance at December 31, 2017	$ 71,368
Foreign currency translation impact	(555)
Balance at June 30, 2018	$ 70,813

Accumulated impairment of goodwill as of June 30, 2018 and December 31, 2017 was $61.8 million. No impairment was recorded as of June 30, 2018 and December 31, 2017.

During the second quarter of 2017, the Company's stock price experienced a significant decline. The Company performed a Step 1 goodwill impairment test as of the second quarter of 2017 and determined that no charge to goodwill for impairment was required during such second quarter. As of December 31, 2017, the Company elected to bypass the qualitative assessment and calculated the fair value of the Company's reporting unit, which exceeded the carrying amount. Accordingly, no charge for goodwill impairment was required as of December 31, 2017. No impairment indicators were noted during the six months ended June 30, 2018.

In-Process Research and Development

As described in Note 3, on September 21, 2015, the Company acquired all of the assets related to the Senhance System and recorded $17.1 million of IPR&D. The estimated fair value of the IPR&D was determined using a probability-weighted income approach, which discounts expected future cash flows to present value. The projected cash flows were based on certain key assumptions, including estimates of future revenue and expenses, taking into account the stage of development of the technology at the acquisition date and the time and resources needed to complete development. The Company used a discount rate of 45% and cash flows that have been probability adjusted to reflect the risks of product commercialization, which the Company believes are appropriate and representative of market participant assumptions.

On October 13, 2017, upon receipt of regulatory clearance to commercialize the products associated with the IPR&D assets in the United States, the assets were deemed definite-lived, transferred to developed technology and are amortized based on their estimated useful lives.

Intellectual Property

As described in Note 3, on September 21, 2015, the Company acquired all of the developed technology related to the Senhance System and recorded $48.5 million of intellectual property. The estimated fair value of the intellectual property was determined using a probability-weighted income approach, which discounts expected future cash flows to present value. The projected cash flows were based on certain key assumptions, including estimates of future revenue and expenses, taking into account the stage of development of the technology at the acquisition date and the time and resources needed to complete development. The Company used a discount rate of 45% and cash flows that have been probability adjusted to reflect the risks of product commercialization, which the Company believes are appropriate and representative of market participant assumptions.

In November 2016, the Company agreed to enter into a technology and patents purchase agreement with Sofar to acquire from Sofar certain technology and intellectual property rights related to the Senhance Acquisition, and formerly licensed by the Company. The technology and patents were acquired in 2017 at an acquisition price of $400,000.

The components of gross intellectual property, accumulated amortization, and net intellectual property as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018 (In thousands) (unaudited)				December 31, 2017 (In thousands)			
	Gross Carrying Amount	Accumulated Amortization	Foreign currency translation impact	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Foreign currency translation impact	Net Carrying Amount
Developed technology	66,413	(25,273)	4,382	45,522	66,413	(19,724)	5,529	52,218
Technology and patents purchased	400	(51)	38	387	400	(30)	50	420
Total intellectual property	$ 66,813	$ (25,324)	$ 4,420	$ 45,909	$ 66,813	$ (19,754)	$ 5,579	$ 52,638

The weighted average remaining useful life of the developed technology and technology and patents purchased was 4.3 years and 8.8 years, respectively as of June 30, 2018 and 4.8 years and 9.3 years, respectively as of December 31, 2017.

11. Income Taxes

Income taxes have been accounted for using the asset and 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 5.7% for the year ending December 31, 2018. This rate does not include the impact of any discrete items. The Company incurred losses for the six month period ended June 30, 2018 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, 2018. Due to the Company’s history of losses, there is not sufficient evidence to record a net deferred tax asset associated with the U.S., Luxembourg, Swiss, and Asian operations. Accordingly, a full valuation allowance has been recorded related to the net deferred tax asset in each jurisdiction. Deferred tax assets and liabilities related to the TransEnterix Italia subsidiary have been recorded as a component of purchase accounting as of the acquisition date. The deferred tax benefit during the six months ended June 30, 2018 and 2017, was approximately $1.8 million and $1.6 million, respectively.

There is no net deferred tax asset recorded in relation to TransEnterix Italia and accordingly no valuation allowance has been recorded in that jurisdiction.

The Company’s effective tax rate for each of the six month periods ended June 30, 2018 and 2017 was 4.8% and 5.0%, respectively. At June 30, 2018, the Company had no unrecognized tax benefits that would affect the Company’s effective tax rate.

At June 30, 2018, the Company’s accounting for the 2017 Tax Cuts and Jobs Act was incomplete; however, it expects to complete the accounting by December 2018. Updates to the Company’s calculations may result in changes to the provisional adjustments recorded at year-end.

12. Accrued Expenses

The following table presents the components of accrued expenses:

	June 30, 2018 (In thousands) (unaudited)	December 31, 2017
Compensation and benefits	$ 4,936	$ 4,533
Taxes and other assessments	3,195	3,192
Other	667	504
Deferred rent	482	595
Consulting and other vendors	310	1,414
Interest and final payment fee	207	309
Legal and professional fees	361	386
Royalties	112	41
Total	$ 10,270	$ 10,974

13. Notes Payable

On May 23, 2018, the Company and its domestic subsidiaries, as co-borrowers, entered into a Loan and Security Agreement (the "Hercules Loan Agreement") with several banks and other financial institutions or entities from time to time party to the Loan Agreement (collectively, the "Lender") and Hercules Capital, Inc., as administrative agent and collateral agent (the "Agent"). Under the Hercules Loan Agreement, the Lender has agreed to make certain term loans to the Company in the aggregate principal amount of up to $40,000,000, with funding of the first $20,000,000 tranche occurring on May 23, 2018 (the "Initial Funding Date"). The Company will be eligible to draw on the second tranche of $10,000,000 upon achievement of certain Senhance System revenue-related milestones for its 2018 fiscal year, and a third tranche of $10,000,000 upon achievement of designated trailing six month GAAP net revenue from Senhance System sales. The Company is entitled to make interest-only payments until December 1, 2020, and at the end the interest-only period, the Company will be required to repay the term loans over an eighteen-month period based on an eighteen-month amortization schedule, with a final maturity date of June 1, 2022. The term loans will be required to be repaid if the term loans are accelerated following an event of default.

The term loans bear interest at a rate equal to the greater of (i) 9.55% per annum (the "Fixed Rate") and (ii) the Fixed Rate plus the prime rate (as reported in The Wall Street Journal) minus 5.00%. Following the draw of the third tranche, the Fixed Rate will be reduced to 9.20% effective on the first interest payment date to occur during the first fiscal quarter following the draw of the third tranche. On the Initial Funding Date, the Company was obligated to pay a facility fee $400,000, recorded as a debt discount. In addition, the Company is permitted to prepay the term loans in full at any time, with a prepayment fee of 3.0% of the outstanding principal amount of loan in the first year after the Initial Funding Date, 2.0% if the prepayment occurs in the second year after the Initial Funding Date and 1.0% thereafter. Upon prepayment of the term loans in full or repayment of the terms loans at the maturity date or upon acceleration, the Company is required to pay a final fee of 6.95% of the aggregate principal amount of term loans funded. The final payment fee is accreted to interest expense over the life of the term loan and included within notes payable on the consolidated balance sheet.

The Company's obligations under the Hercules Loan Agreement are to be guaranteed by all current and future material foreign subsidiaries of the Company and are secured by a security interest in all of the assets of the Company and their current and future domestic subsidiaries and all of the assets of their current and future material foreign subsidiaries, including a security interest in the intellectual property. The Hercules Loan Agreement contains customary representations and covenants that, subject to exceptions, restrict the Company's and its subsidiaries' ability to do the following, among other things: declare dividends or redeem or repurchase equity interests; incur additional indebtedness and liens; make loans and investments; 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. Under the terms of the Hercules Loan Agreement, the Company is required to maintain cash and/or investment property in accounts which perfect the Agent's first priority security interest in such accounts in an amount equal to the lesser of (i) (x) 120% of the then-outstanding principal balance of the term loans, including accrued interest and any other fees payable under the agreement to the extent accrued and payable plus (y) an amount equal to the then-outstanding accounts payable of the Company on a consolidated basis that are more than 90 days past due and (ii) 80% of the aggregate cash of the Company and its consolidated subsidiaries. The Agent is granted the option to invest up to $2,000,000 in any future equity offering broadly marketed by the Company to investors on the same terms as the offering to other investors.

In connection with its entrance into the Hercules Loan Agreement, the Company repaid its existing loan and security agreement (the "Innovatus Loan Agreement") with Innovatus Life Sciences Lending Fund I, LP ("Innovatus"). The Company recognized a loss of $1.4 million on the extinguishment of notes payable which is included in interest expense on the consolidated statements of operations and comprehensive loss for the six months ended June 30, 2018. The Company paid $680,000 in final payment obligations and $287,000 in prepayment fees under the Innovatus Loan Agreement upon repayment.

Under the Innovatus Loan Agreement, entered into on May 10, 2017, Innovatus agreed to make certain term loans in the aggregate principal amount of up to $17,000,000. Funding of the first $14,000,000 tranche occurred on May 10, 2017.

The Innovatus Loan Agreement allowed for interest-only payments for up to twenty-four months at a fixed rate equal to 11% per annum, of which 2.5% could be paid in-kind and added to the outstanding principal amount of the term loans until the earlier of (i) the first anniversary following the funding date and (ii) the Company's failure to achieve an Interest-Only Milestone. At the end of the interest-only period, the Company would be required to repay the term loans over a two-year period, based on a twenty-four (24) month amortization schedule, with a final maturity date of May 10, 2021.

In connection with the funding, the Company paid a facility fee of $170,000 on the date of funding of the first tranche and incurred additional debt issuance costs of approximately $1.2 million, recorded as debt discount. In addition, the Company issued warrants to the Lender to purchase shares of the Company's common stock that will expire five (5) years from such issue date. The warrants issued in connection with funding of the first tranche entitle the Lender to purchase up to 1,244,746 shares of the Company's common stock at an exercise price of $1.00 per share. The Company estimated the fair value of the warrants to be $300,000. The value of the warrants was classified as equity and recorded as a discount to the loan. The debt discount was amortized as interest expense using the effective interest method over the life of the loan. As of June 30, 2018 and December 31, 2017, the unamortized debt discount was $0 and $1.0 million, respectively.

In connection with its entrance into the Innovatus Loan Agreement, the Company repaid its then-existing credit facility with Silicon Valley Bank and Oxford Finance LLC, which loan and security agreement, as subsequently amended and restated is referred to as the "SVB Loan Agreement." The Company recognized a loss of $308,000 on the extinguishment of notes payable which is included in interest expense on the consolidated statements of operations and comprehensive loss for the year ended December 31, 2017. The Company paid $1.3 million in final payment obligations and $255,000 in facility fees under the SVB Loan Agreement upon repayment.

In connection with the issuance of the notes payable and amendments under the SVB Loan Agreement, the Company incurred approximately $371,000 in debt issuance costs paid to Silicon Valley Bank and Oxford Finance and third parties and $280,000 in debt issuance costs related to issuance of warrants to such prior lenders. The unamortized balance of $107,000 as of December 31, 2016, was amortized using the effective interest method, until the debt was extinguished in May 2017. At the time of extinguishment in May 2017, $63,000 of unamortized debt issuance costs were included in the loss on extinguishment of notes payable.

14. Warrants

The following table summarizes the change in warrants for the six months ended June 30, 2018:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2017	13,162,668	$ 1.08	4.5	$ 0.39
Exercised	(4,537,722)	1.11	—	—
Cancelled	(95,600)	1.65	—	—
Outstanding at June 30, 2018	8,529,346	1.05	4.5	$ 0.40

In connection with the borrowings under the SVB Loan Agreement, the Company issued warrants to Silicon Valley Bank and Oxford Finance to purchase shares of the Company's Common Stock amounting to an aggregate of 430,815 warrants under the SVB Loan Agreement. The warrants expire seven years from their respective issue date. In February 2018, the Company terminated its relationship with a vendor who had been issued warrants to acquire 950,000 shares of Common Stock (the "Service Warrants") with staggered vesting requirements. As part of the termination agreement, the Company accelerated the full vesting of the Service Warrants.

15. Purchase Agreement, Controlled Equity Offering and Public Offering of Common Stock

On April 28, 2017, the Company sold 24.9 million units, each consisting of one share of the Company's Common Stock, a Series A warrant to purchase one share of Common Stock, and a Series B warrant to purchase 0.75 shares of Common Stock, at a public offering price of $1.00 per unit for aggregate gross proceeds of $24.9 million in an underwritten firm commitment public offering. Net proceeds after issuance costs were $23.2 million, assuming no exercise of the warrants. The closing of the public offering occurred on May 3, 2017.

On December 16, 2016, the Company entered into a purchase agreement (the "LPC Purchase Agreement") with Lincoln Park Capital Fund, LLC, ("Lincoln Park"), pursuant to which the Company had the right to sell to Lincoln Park up to an aggregate of $25.0 million in shares of the Company's Common Stock, subject to certain limitations and conditions set forth in the LPC Purchase Agreement. The Company issued to Lincoln Park 345,421 shares of Common Stock as commitment shares in consideration for the LPC Purchase Agreement through April 27, 2017. Sales under the LPC Purchase Agreement for the year ended December 31, 2016 were 300,000 shares, with gross proceeds of $412,500 and net proceeds of $392,500. Sales under the LPC Purchase Agreement for the year ended December 31, 2017 were 3,972,741 shares, with gross and net proceeds of $5,304,000. Effective April 27, 2017, the Company terminated the LPC Purchase Agreement. The LPC Purchase Agreement provided the Company with an election to terminate the Purchase Agreement for any reason or for no reason by delivering a notice to Lincoln Park, and the Company did not incur any early termination penalties in connection with the termination of the LPC Purchase Agreement.

On August 31, 2017, the Company entered into an At-the-Market Equity Offering Sales Agreement (the "2017 Sales Agreement") with Stifel, Nicolaus & Company, Incorporated ("Stifel"), as sales agent, pursuant to which the Company can sell through Stifel, from time to time, up to $50.0 million in shares of Common Stock in an at-the-market offering. The Company pays Stifel a commission of approximately 3% of the aggregate gross proceeds received from all sales of common stock under the 2017 Sales Agreement. Unless otherwise terminated earlier, the 2017 Sales Agreement continues until all shares available under the Sales Agreement have been sold.

The following table summarizes the total sales under the 2017 Sales Agreement for the periods indicated (in thousands, except per share amounts):

	2017 Sales Agreement	
	Year Ended December 31, 2017	
Total shares of common stock sold		15,998.5
Average price per share	$	3.13
Gross proceeds	$	50,000
Commissions earned by Stifel	$	1,500
Other issuance costs	$	97

16. 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, warrants and restricted stock units. In computing diluted net loss per share for the six months ended June 30, 2018 and 2017, no adjustment has been made to the weighted average outstanding common shares as the assumed exercise of outstanding options, warrants and restricted stock units would be anti-dilutive.

17. Related Person Transactions

On September 18, 2015, TransEnterix Italia entered into a services agreement for receipt of administrative services from Sofar and payment of rent to Sofar, a stockholder that owned approximately 9% and 13% of the Company's Common Stock at June 30, 2018 and 2017, respectively. Expenses for administrative services were approximately $0 and $52,000 for the six months ended June 30, 2018 and 2017, respectively. The services agreement terminated in 2017.

As discussed in Note 3, in September 2015, the Company completed the Senhance Acquisition using a combination of cash, stock and potential post-acquisition milestone payments. On December 30, 2016, the Company entered into an Amendment to the Senhance Acquisition purchase agreement with Sofar to restructure the terms of the Second Tranche of the Cash Consideration. Under the Amendment, the Second Tranche was restructured to reduce the contingent cash consideration by €5.0 million in exchange for the issuance of 3,722,685 shares of the Company's Common Stock with an aggregate fair market value of €5.0 million. On January 4, 2017, the Company issued to Sofar 3,722,685 shares of the Common Stock with a fair value of €5.0 million. The price per share was $1.404 and was calculated based on the average of the closing prices of the Company's Common Stock on ten consecutive trading days ending one day before the execution of the Amendment.

In March 2018, TransEnterix Europe entered into a Service Supply Agreement with 1Med S.A. for certain regulatory consulting services. Andrea Biffi, a current member of the Company's Board of Directors, owns a non-controlling interest in 1Med S.A. Expenses under the Service Supply Agreement were approximately $18,000 for the six months ended June 30, 2018.

18. Commitments and Contingencies

Contingent Consideration

As discussed in Note 3, in September 2015, the Company completed the Senhance Acquisition using a combination of cash, stock and potential post-acquisition milestone payments. These milestone payments may be payable in the future, depending on the achievement of certain regulatory and commercial milestones. On December 30, 2016, the Company entered into an Amendment to restructure the terms of the Second Tranche of the Cash Consideration. Under the Amendment, the Second Tranche was restructured to reduce the contingent cash consideration by €5.0 million in exchange for the issuance of 3,722,685 shares of the Company's Common Stock with an aggregate fair market value of €5.0 million. As of December 31, 2017, the fair value of the contingent consideration was $12.4 million. On June 30, 2018, the fair value of the contingent consideration was $13.5 million.

Legal Proceedings

No liability or related charge was recorded to earnings in the Company's consolidated financial statements for legal contingencies for the six months ended June 30, 2018 or the year ended December 31, 2017, as all pending litigation, including two putative derivative claims were dismissed in 2017 with prejudice in the Company's favor.

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

TransEnterix is a medical device company that is digitizing the interface between the surgeon and the patient to improve minimally invasive surgery by addressing the clinical and economic challenges associated with current laparoscopic and robotic options in today's value-based healthcare environment. The Company is focused on the commercialization of the Senhance™ System, which digitizes laparoscopic minimally invasive surgery. The Senhance System allows for robotic precision, haptic feedback, surgeon camera control via eye sensing and improved ergonomics while offering responsible economics.

The Senhance System has been granted a CE Mark in Europe for laparoscopic abdominal and pelvic surgery, as well as limited thoracic operations excluding cardiac and vascular surgery. In April 2017, the Company submitted a 510(k) application to the FDA for the Senhance System. On October 13, 2017, the Company received 510(k) clearance from the FDA for use in laparoscopic colorectal and gynecologic surgery. These indications cover 23 procedures, including benign and oncologic procedures. In May 2018, the Company received 510(k) clearance from the FDA expanding the indications for use in laparoscopic inguinal hernia and laparoscopic cholecystectomy (gallbladder removal) surgery. The Senhance System is available for sale in the U.S., the EU and select other countries.

The Senhance System is a multi-port robotic surgery system which allows multiple robotic arms to control instruments and a camera. The system features advanced technology to enable surgeons with haptic feedback and the ability to move the camera via eye movement. The system replicates laparoscopic motion that is familiar to experienced surgeons, and integrates three-dimensional high definition vision technology. The Senhance System also offers responsible economics to hospitals by offering robotic technology with reusable instruments thereby reducing additional costs per surgery when compared to other robotic solutions.

The Company has also developed the SurgiBot System, a single-port, robotically enhanced laparoscopic surgical platform. On December 18, 2017, the Company announced that it had entered into an agreement with GBIL to advance the SurgiBot System towards global commercialization. The agreement transfers ownership of the SurgiBot System assets, while the Company retains the option to distribute or co-distribute the SurgiBot System outside of China. GBIL intends to have the SurgiBot System manufactured in China and obtain Chinese regulatory clearance from the CFDA while entering into a nationwide distribution agreement with CSIMC for the Chinese market. The agreement provides the Company with proceeds of at least $29 million, of which $7.5 million was received in December 2017 and an additional $7.5 million including a $3.0 million equity investment at $2.33 per share of common stock, was received at the second closing in March 2018. The remaining $14.0 million, representing minimum royalties, will be paid beginning at the earlier of receipt of Chinese regulatory approval or five years after the second closing.

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 enable a desirable post-operative recovery; and (iii) provide a cost-effective robotic system, compared to existing alternatives today, for a wide range of clinical applications. Our strategy is to focus on the commercialization and further development of the Senhance System.

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 studies, manufacturing, recruiting qualified personnel and raising capital.

Since inception, we have been unprofitable. As of June 30, 2018, we had an accumulated deficit of $482.8 million.

We expect to continue to invest in research and development and sales and marketing 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.

Debt Refinancing

On May 23, 2018, the Company and its domestic subsidiaries, as co-borrowers, entered into a Loan and Security Agreement (the "Hercules Loan Agreement") with several banks and other financial institutions or entities from time to time party to the Hercules Loan Agreement (collectively, the "Lender") and Hercules Capital, Inc., as administrative agent and collateral agent (the "Agent"). Under the Hercules Loan Agreement, the Lender has agreed to make certain term loans to the Company in the aggregate principal amount of up to $40,000,000, with funding of the first $20,000,000 tranche occurring on May 23, 2018 (the "Initial Funding Date"). The Company will be eligible to draw on the second tranche of $10,000,000 upon achievement of certain Senhance System revenue-related milestones for its 2018 fiscal year, and a third tranche of $10,000,000 upon achievement of designated trailing six month GAAP net revenue from Senhance System sales. The Company is entitled to make interest-only payments until December 1, 2020, and at the end the interest-only period, the Company will be required to repay the term loans over an eighteen-month period based on an eighteen-month amortization schedule, with a final maturity date of June 1, 2022. The term loans will be required to be repaid if the term loans are accelerated following an event of default. The Company is in compliance with its debt covenants under the Hercules Loan Agreement as of June 30, 2018.

The term loans bear interest at a rate equal to the greater of (i) 9.55% per annum (the "Fixed Rate") and (ii) the Fixed Rate plus the prime rate (as reported in The Wall Street Journal) minus 5.00%. Following the draw of the third tranche, the Fixed Rate will be reduced to 9.20% effective on the first interest payment date to occur during the first fiscal quarter following the draw of the third tranche. On the Initial Funding Date, the Company was obligated to pay a facility fee $400,000. In addition, the Company is permitted to prepay the term loans in full at any time, with a prepayment fee of 3.0% of the outstanding principal amount of loan in the first year after the Initial Funding Date, 2.0% if the prepayment occurs in the second year after the Initial Funding Date and 1.0% thereafter. Upon prepayment of the term loans in full or repayment of the terms loans at the maturity date or upon acceleration, the Company is required to pay a final fee of 6.95% of the aggregate principal amount of term loans funded.

The Company's obligations under the Hercules Loan Agreement are to be guaranteed by all current and future material foreign subsidiaries of the Company and are secured by a security interest in all of the assets of the Company and their current and future domestic subsidiaries and all of the assets of their current and future material foreign subsidiaries, including a security interest in the intellectual property. The Hercules Loan Agreement contains customary representations and covenants that, subject to exceptions, restrict the Company's and its subsidiaries' ability to do the following, among things: declare dividends or redeem or repurchase equity interests; incur additional indebtedness and liens; make loans and investments; 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. Under the terms of the Hercules Loan Agreement, the Company is required to maintain cash and/or investment property in accounts which perfect the Agent's first priority security interest in such accounts in an amount equal to the lesser of (i) (x) 120% of the then-outstanding principal balance of the term loans, including accrued interest and any other fees payable under the agreement to the extent accrued and payable plus (y) an amount equal to the then-outstanding accounts payable of the Company on a consolidated basis that are more than 90 days past due and (ii) 80% of the aggregate cash of the Company and its consolidated subsidiaries. The Agent is granted the option to invest up to $2,000,000 in any future equity offering broadly marketed by the Company to investors on the same terms as the offering to other investors.

In connection with its entrance into the Hercules Loan Agreement, the Company repaid its existing credit facility with Innovatus Life Sciences Lending Fund I, LP ("Innovatus") entered into on May 10, 2017, which loan and security agreement is referred to as the Innovatus Loan Agreement (the "Innovatus Loan Agreement").

Under the Innovatus Loan Agreement, the Lender has agreed to make certain term loans in the aggregate principal amount of up to $17,000,000. Funding of the first $14,000,000 tranche occurred on May 10, 2017.

The Innovatus Loan Agreement allowed for interest-only payments for up to twenty-four months at a fixed rate equal to 11% per annum, of which 2.5% could be paid in-kind and added to the outstanding principal amount of the term loans until the earlier of (i) the first anniversary following the funding date and (ii) the Company's failure to achieve an Interest-Only Milestone. At the end of the interest-only period, the Company would have been required to repay the term loans over a two-year period, based on a twenty-four (24) month amortization schedule, with a final maturity date of May 10, 2021.

In connection with the funding, the Company paid a facility fee of $170,000 on the date of funding of the first tranche. In addition, the Company issued warrants to the Lender to purchase shares of the Company's common stock. Additional warrants will be issued on the funding date of each subsequent tranche and will expire five (5) years from such issue date. The warrants issued in connection with funding of the first tranche entitle the Lender to purchase up to 1,244,746 shares of the Company's common stock at an exercise price of $1.00 per share.

In connection with its entrance into the Innovatus Loan Agreement, the Company repaid its then-existing credit facility with Silicon Valley Bank and Oxford Finance LLC under the SVB Loan Agreement.

Public Offering of Units

On April 28, 2017, we entered into an underwriting agreement with Stifel, Nicolaus & Company, Incorporated, or the Underwriter, relating to an underwritten public offering of an aggregate of 24,900,000 Units, each consisting of one share of the Company's Common Stock, a Series A Warrant to purchase one share of Common Stock and a Series B Warrant to purchase 0.75 shares of Common Stock at an offering price to the public of $1.00 per Unit. Certain of the Company's officers, directors and existing stockholders purchased approximately $2.5 million of Units in the public offering. The closing of the public offering occurred on May 3, 2017.

Each Series A Warrant had an initial exercise price of $1.00 per share and was able to be exercised at any time beginning on the date of issuance, and from time to time thereafter, through and including the first anniversary of the issuance date, unless terminated earlier as provided in the Series A Warrant. Receipt of 510(k) clearance for the Senhance System on October 13, 2017, triggered the acceleration of the expiration date of the Series A Warrants to October 31, 2017. As of December 31, 2017, all of the Series A Warrants had been exercised.

Each Series B Warrant has an initial exercise price of $1.00 per share and may be exercised at any time beginning on the date of issuance and from time to time thereafter through and including the fifth anniversary of the issuance date, or by May 3, 2022. As of June 30, 2018, Series B Warrants representing approximately 12.7 million shares had been exercised.

The exercise prices and the number of shares issuable upon exercise of the outstanding Series B Warrants are subject to adjustment upon the occurrence of certain events, including, but not limited to, stock splits or dividends, business combinations, sale of assets, similar recapitalization transactions, or other similar transactions. The Series B Warrants are subject to adjustment in the event that the Company issues or is deemed to issue shares of common stock for less than the then applicable exercise price of the Series B Warrants. The exercisability of the Series B Warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of our common stock. If, at any time Series B Warrants are outstanding, any fundamental transaction occurs, as described in the Series B Warrants and generally including any consolidation or merger into another corporation, the consummation of a transaction whereby another entity acquires more than 50% of the Company's outstanding voting stock, or the sale of all or substantially all of its assets, the successor entity must assume in writing all of the obligations to the Series B Warrant holders. Additionally, in the event of a fundamental transaction, each Series B Warrant holder will have the right to require the Company, or its successor, to repurchase the Series B Warrants for an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of such Series B Warrants.

The underwriting agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Underwriters, including for liabilities under the Securities Act of 1933, as amended, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the underwriting agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the contracting parties.

The net proceeds to the Company from the offering were approximately $23.2 million, prior to any exercise of the Series A Warrants or Series B Warrants, after deducting underwriting discounts and commissions and estimated offering expenses paid by the Company. The net proceeds to the Company from the exercise of all of the Series A Warrants and the Series B Warrants exercised prior to June 30, 2018 were approximately $37.4 million.

The Units were issued pursuant to a prospectus supplement dated April 28, 2017 and an accompanying base prospectus dated June 22, 2016 that form a part of the registration statement on Form S-3 that the Company filed with the SEC on November 7, 2014 and was declared effective on December 19, 2014 (File No. 333-199998), and post-effectively amended pursuant to Post-Effective Amendment No. 1 on Form S-3, as filed with the SEC on March 8, 2016 and declared effective on June 22, 2016 and a related registration statement filed pursuant to Rule 462(b) promulgated under the Securities Act of 1933.

On December 15, 2017, we filed a registration statement on Form S-3 (File No. 333-222103) to register shares of common stock underlying outstanding Series B Warrants previously issued as part of the Company's May 3, 2017 public offering. The new registration statement replaced the registration statement on Form S-3 that expired on December 19, 2017 with respect to these securities. On January 26, 2018, we filed an Amendment No. 1 to such registration statement on Form S-3 to update the information, in the registration statement. The registration statement covers up to 9,579,884 shares of common stock underlying the outstanding Series B Warrants. This registration statement on Form S-3 was declared effective on January 29, 2018.

Lincoln Park Purchase Agreement

On December 16, 2016, we entered into a purchase agreement, or the LPC Purchase Agreement, with Lincoln Park Capital Fund, LLC, an Illinois limited liability company, or Lincoln Park, pursuant to which we had the right to sell to Lincoln Park up to an aggregate of $25,000,000 in shares of our common stock, subject to certain limitations and conditions set forth in the LPC Purchase Agreement. Effective April 27, 2017, we terminated the LPC Purchase Agreement. The LPC Purchase Agreement provided us with an election to terminate the Purchase Agreement for any reason or for no reason by delivering a notice to Lincoln Park, and we did not incur any early termination penalties in connection with the termination of the LPC Purchase Agreement. Prior to termination, we sold shares of our common stock to Lincoln Park under the LPC Purchase Agreement for gross proceeds of approximately $5.7 million.

At-the-Market Offerings

On February 9, 2016, we entered into a Controlled Equity Offering SM Sales Agreement, or the 2016 Sales Agreement, with Cantor Fitzgerald & Co., or Cantor, under which we could offer and sell, through Cantor, up to approximately $43.6 million in shares of common stock in an at-the market offering, or the 2016 ATM Offering. The 2016 Sales Agreement was terminated, effective September 10, 2017. We paid Cantor a commission of approximately 3% of the aggregate gross proceeds received from all sales of common stock under the 2016 Sales Agreement.

On August 31, 2017, we entered into an At-the-Market Equity Offering Sales Agreement, or the 2017 Sales Agreement, with Stifel, Nicolaus & Company, Incorporated, or Stifel, under which we could offer and sell, through Stifel, up to approximately $50.0 million in shares of common stock in an at-the-market offering, or the 2017 ATM Offering. All sales of shares were made pursuant to an effective shelf registration statement on Form S-3 filed with the SEC. We paid Stifel a commission of approximately 3% of the aggregate gross proceeds received from all sales of common stock under the 2017 Sales Agreement. As of October 31, 2017, the 2017 ATM Offering was completed.

The following table summarizes the total sales under the 2016 Sales Agreement and 2017 Sales Agreement for the periods indicated (in thousands, except per share amounts):

	2017 Sales Agreement	2016 Sales Agreement
	Year Ended December 31, 2017	Year Ended December 31, 2016
Total shares of common stock sold	15,998.5	8,763.4
Average price per share	$ 3.13	$ 4.70
Gross proceeds	$ 50,000	$ 41,156
Commissions earned by Stifel or Cantor	$ 1,500	$ 1,235
Other issuance costs	$ 97	$ 185

Senhance Acquisition and Related Transactions

Membership Interest Purchase Agreement and Amendment

On September 21, 2015, the Company announced that it had entered into a Membership Interest Purchase Agreement, dated September 18, 2015 with Sofar S.p.A., as the Seller, Vulcanos S.r.l., as the acquired company, and TransEnterix International, Inc., a wholly owned subsidiary of the Company as the Buyer. The closing of the transactions contemplated by the Purchase Agreement occurred on September 21, 2015. The Buyer acquired all of the membership interests of the acquired company from the Seller, and changed the name of the acquired company to TransEnterix Italia S.r.l. On the closing date, pursuant to the Purchase Agreement, the Company completed the strategic acquisition from Sofar S.p.A. of all of the assets, employees and contracts related to the advanced robotic system for minimally invasive laparoscopic surgery now known as the Senhance System, or the Senhance Acquisition.

Under the terms of the Purchase Agreement, the consideration consisted of the issuance of 15,543,413 shares of the Company's common stock, or the Securities Consideration, and approximately $25,000,000 U.S. Dollars and €27,500,000 Euro in cash consideration, or the Cash Consideration. The Securities Consideration was issued in full at closing of the acquisition; the Cash Consideration was or will be paid in four tranches, with US $25,000,000 paid at closing and the remaining Cash Consideration of €27,500,000 to be paid in three additional tranches based on achievement of negotiated milestones. On December 30, 2016, the Company and Sofar entered into an Amendment to the Purchase Agreement to restructure the terms of the second tranche of the Cash Consideration. Under the Amendment, the second tranche was restructured to reduce the contingent cash consideration by €5.0 million in exchange for the issuance of 3,722,685 shares of the Company's common stock with an aggregate fair market value of €5.0 million, which were issued on January 4, 2017. The price per share was $1.404 and was calculated based on the average of the closing prices of the Company's common stock on ten consecutive trading days ending one day before the execution of the Amendment.

The issuance of the initial Securities Consideration was effected as a private placement of securities under Section 4(a)(2) of the Securities Act, and Regulation D promulgated thereunder. The issuance of the additional shares in January 2017 was made under an existing shelf registration statement on Form S-3.

As of June 30, 2018, the Company has paid all Cash Consideration due under the second tranche.

The Purchase Agreement contains customary representations and warranties of the parties and the parties have customary indemnification obligations, which are subject to certain limitations described further in the Purchase Agreement.

Registration Rights

In connection with the Senhance Acquisition, we also entered into a Registration Rights Agreement, dated as of September 21, 2015, with the Seller, pursuant to which we agreed to register the Securities Consideration shares for resale following the end of the lock-up periods described below. The resale Registration Statement has been filed and is effective.

Results of Operations

Revenue

Our revenue consisted of product revenue resulting from the sale of Senhance Systems in Europe, Asia and U.S., and related instruments, accessories and services for systems sold in the current and prior periods.

We expect to experience some unevenness in the number and trend, and average selling price, of units sold on a quarterly basis given the early stage of commercialization of our products.

Product and service revenue for the three months ended June 30, 2018 increased to $6.4 million compared to $1.6 million for the three months ended June 30, 2017. The $4.8 million increase was the result of the revenue recognized on the sale of four Senhance Systems.

Product and service revenue for the six months ended June 30, 2018 increased to $11.2 million compared to $3.5 for the six months ended June 30, 2017. The $7.7 million increase was primarily the result of the revenue recognized on the sale of six Senhance Systems.

Cost of Revenue

Cost of revenue consists primarily of costs related to contract manufacturing, materials, and manufacturing overhead. We expense all inventory provisions as cost of revenue. The manufacturing overhead costs include the cost of quality assurance, material procurement, inventory control, facilities, equipment depreciation and operations supervision and management. We expect overhead costs as a percentage of revenues to become less significant as our production volume increases. We expect cost of revenue to increase in absolute dollars to the extent our revenues grow and as we continue to invest in our operational infrastructure to support anticipated growth.

Cost of revenue for the three months ended June 30, 2018 increased to $3.7 million as compared to $1.0 million for the three months ended June 30, 2017. This increase over the prior year period was the result of increased sales and costs for manufacturing overhead and field service.

Cost of revenue for the six months ended June 30, 2018 increased to $6.3 million as compared to $2.3 million for the six months ended June 30, 2017. This increase over the prior year period was the result of increased sales and costs for manufacturing overhead and field service.

Research and Development

Research and development, or 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 remain consistent or be modestly lower as we continue to transition our investments into commercial activities. R&D expenses are expensed as incurred.

R&D expenses for the three months ended June 30, 2018 increased 4% to $5.3 million as compared to $5.1 million for the three months ended June 30, 2017. The $0.2 million increase resulted primarily from increased personnel related costs of $0.3 million, increased contract engineering services, consulting and other outside services of $0.3 million, offset by decreased other costs of $0.4 million.

R&D expenses for the six months ended June 30, 2018 decreased 12% to $10.5 million as compared to $11.9 million for the six months ended June 30, 2017. The $1.4 million decrease resulted primarily from decreased contract engineering services, consulting and other outside services of $0.3 million, decreased personnel costs of $0.1 million, decreased preclinical lab expense of $0.3 million, decreased supplies expense of $0.1 million, and decreased other costs of $0.6 million.

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. We expect sales and marketing expenses to increase significantly in 2018 in support of our Senhance System commercialization.

Sales and marketing expenses for the three months ended June 30, 2018 increased 62% to $6.0 million compared to $3.7 million for the three months ended June 30, 2017. The $2.3 million increase was primarily related to increased personnel related costs of $1.4 million, increased consulting and outside service costs of $0.5 million, and increased other costs of $0.4 million, as we increased our U.S. sales and marketing team following receipt of 510(k) clearance for the Senhance System.

Sales and marketing expenses for the six months ended June 30, 2018 increased 60% to $12.0 million compared to $7.5 million for the six months ended June 30, 2017. The $4.5 million increase was primarily related to increased personnel related costs of $3.3 million, increased consulting and outside service costs of $0.8 million, increased depreciation expense of $0.3 million, and increased other costs of $0.4 million as we increased our U.S. sales and marketing team following receipt of 510(k) clearance for the Senhance System, offset by decreased tradeshow costs of $0.3 million.

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, and general corporate expenses. In future periods, we expect general and administrative expenses to increase to support our sales, marketing, and research and development efforts.

General and administrative expenses for the three months ended June 30, 2018 increased 33% to $3.6 million compared to $2.7 million for the three months ended June 30, 2017. The $0.9 million increase was primarily due to increased personnel costs of $0.6 million and increased outsourced services expense of $0.4 million, offset by decreased other costs of $0.1 million.

General and administrative expenses for the six months ended June 30, 2018 increased 9% to $6.3 million compared to $5.8 million for the six months ended June 30, 2017. The $0.5 million increase was primarily due to increased personnel costs of $0.5 million.

Gain From Sale of SurgiBot Assets, Net

The gain from the sale of SurgiBot assets, net to GBIL was $12.0 million for the six months ended June 30, 2018.

Amortization of Intangible Assets

Amortization of intangible assets for the three months ended June 30, 2018 increased to $2.7 million compared to $1.7 million for the three months ended June 30, 2017. The $1.0 million increase was primarily the result of the amortization of in-process research and development transferred to intellectual property in October 2017.

Amortization of intangible assets for the six months ended June 30, 2018 increased to $5.6 million compared to $3.3 million for the six months ended June 30, 2017. The $2.3 million increase was primarily the result of the amortization of in-process research and development transferred to intellectual property in October 2017.

Change in Fair Value of Contingent Consideration

The change in fair value of contingent consideration in connection with the Senhance Acquisition was $0.8 million for the three months ended June 30, 2018 compared to $(0.8) million for the three months ended June 30, 2017. The $1.6 million increase was primarily related to the effect of a change in the estimated discount rate, the change in the passage of time on the fair value measurement, and the impact of foreign currency exchange rates.

The change in fair value of contingent consideration in connection with the Senhance Acquisition was $1.4 million for the six months ended June 30, 2018 compared to $0.5 million for the six months ended June 30, 2017. The $0.9 million increase was primarily related to the effect of a change in the estimated discount rate, the change in the passage of time on the fair value measurement, and the impact of foreign currency exchange rates.

Change in Fair Value of Warrant Liabilities

The change in fair value of Series A Warrants and Series B Warrants issued in April 2017 was $17.5 million for the three months ended June 30, 2018 compared to $2.3 million for the three months ended June 30, 2017. The $15.2 million increase for the three months ended June 30, 2018 includes remeasurement associated with the warrants exercised during the quarter ended June 30, 2018 and the outstanding warrants at June 30, 2018. The remeasurement related to the warrants exercised was primarily the result of the difference in the stock price at the date of exercise and March 31, 2018. The expense related to the warrants outstanding at June 30, 2018 was primarily the result of the difference between the stock price at June 30, 2018 and at March 31, 2018.

The change in fair value of Series A Warrants and Series B Warrants issued in April 2017 was $15.7 million for the six months ended June 30, 2018 compared to $2.3 million for the six months ended June 30, 2017. The $13.4 million increase for the six months ended June 30, 2018 includes remeasurement associated with the warrants exercised during the six months ended June 30, 2018 and the outstanding warrants at June 30, 2018. The remeasurement related to the warrants exercised was primarily the result of the difference in the stock price at the date of exercise and December 31, 2017. The expense related to the warrants outstanding at June 30, 2018 was primarily the result of the difference between the stock price at June 30, 2018 and at December 31, 2017.

Interest Expense, Net

Interest expense for the three months ended June 30, 2018 increased to $1.7 million compared to $0.6 million for the three months ended June 30, 2017. The $1.1 million increase was primarily related to the $1.4 million loss on extinguishment of debt partially offset by the decrease in interest rate on refinanced notes payable.

Interest expense for the six months ended June 30, 2018 increased to $2.1 million compared to $1.0 million for the six months ended June 30, 2017. The $1.1 million increase was primarily related to the $1.4 million loss on extinguishment of debt partially offset by the decrease in interest rate on refinanced notes payable.

Income Tax Benefit

Income tax benefit consists primarily of taxes related to the amortization of purchase accounting intangibles in connection with the Italian taxing jurisdiction for TransEnterix Italia as a result of the acquisition of the Senhance System. We recognized $0.9 million and $0.7 million of income tax benefit for the three months ended June 30, 2018 and 2017, respectively. We recognized $1.8 million and $1.6 million of income tax benefit for the six months ended June 30, 2018 and 2017, respectively.

Liquidity and Capital Resources

Sources of Liquidity

Since our inception we have incurred significant losses and, as of June 30, 2018, we had an accumulated deficit of $482.8 million. We have not yet achieved profitability and we cannot assure investors that we will achieve profitability with our existing capital resources. As of June 30, 2018, the Company's cash and restricted cash balance was approximately $98.5 million. We believe that our existing cash and cash equivalents, together with cash received from sales of our products, will be sufficient to fund operations through at least the next 12 months. We expect to continue to fund sales and marketing, research and development 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 to date have been proceeds from public offerings of common stock, private placements of common and preferred stock, incurrence of debt and the sale of equity securities held as investments.

We currently have one effective shelf registration statement on file with the SEC, which registers up to $150.0 million of debt securities, common stock, preferred stock, or warrants, or any combination thereof for future financing transactions. The shelf registration statement was declared effective by the SEC on May 19, 2017. We have raised $50.0 million in gross proceeds and approximately $48.5 in net proceeds under such shelf registration statement through the sale of all the shares available under the 2017 ATM Offering. As of June 30, 2018, we had $100.0 million available for future financings under such shelf registration statement.

Consolidated Cash Flow Data

(in millions)	Six Months Ended June 30, 2018	2017
Net cash (used in) provided by		
Operating activities	$ (19.2)	$ (25.5)
Investing activities	4.2	(1.8)
Financing activities	16.0	28.9
Effect of exchange rate changes on cash and cash equivalents	(0.1)	—
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 0.9	$ 1.6

Operating Activities

For the six months ended June 30, 2018, cash used in operating activities of $19.2 million consisted of a net loss of $35.1 million decreased by cash used for working capital of $0.4 million and increased by non-cash items of $16.3 million. The non-cash items primarily consisted of $15.7 million change in fair value of warrant liabilities, $6.1 million of amortization, $4.2 million of stock-based compensation expense, $1.4 million loss on debt extinguishment, $1.4 million change in fair value of contingent consideration and $1.3 million of depreciation, offset by $12.0 million gain from sale of SurgiBot assets and $1.8 million deferred income tax benefit. The decrease in cash from changes in working capital included $1.6 million increase in inventories, $0.8 million increase in accounts receivable, $0.4 million decrease in accrued expenses, offset by $1.9 million decrease in other current and long term assets and $0.4 million increase in accounts payable.

Investing Activities

For the six months ended June 30, 2018, net cash provided by investing activities was $4.2 million. This amount primarily consists of $4.5 million proceeds related to the sale of the SurgiBot assets, offset by $0.3 million purchases of property and equipment.

Financing Activities

For the six months ended June 30, 2018, net cash provided by financing activities was $16.0 million. This amount was primarily related to $18.9 million in proceeds from the issuance of debt, which was partially offset by $15.3 million in payment of debt, $9.8 million in proceeds from the exercise of stock options and warrants and $3.0 million received for shares issued related to the sale of the SurgiBot assets, offset by $0.4 million payment of contingent consideration.

Operating Capital and Capital Expenditure Requirements

We believe that our existing cash and cash equivalents, together with cash received from sales of our products, will be sufficient to meet our anticipated cash needs through at least the next 12 months. We intend to spend substantial amounts on commercial activities, on research and development activities, including product development, regulatory and compliance, clinical studies in support of our future product offerings, the enhancement and protection of our intellectual property, on notes payable payments as they come due, and on contingent consideration payments in connection with the acquisition of the Senhance System. We will need to obtain additional financing to pursue our business strategy, to respond to new competitive pressures or to take advantage of opportunities that may arise. To meet our capital needs, we are considering multiple alternatives, including, but not limited to, additional equity financings, debt financings, strategic collaborations and other funding transactions. There can be no assurance that we will be able to complete any such transaction on acceptable terms or otherwise. If we are unable to obtain the necessary capital, we will need to pursue a plan to license or sell our assets, seek to be acquired by another entity, cease operations and/or seek bankruptcy protection.

Cash and cash equivalents held by our foreign subsidiaries totaled $3.5 million at June 30, 2018, including restricted cash. We do not intend or currently foresee a need to repatriate cash and cash equivalents held by our foreign subsidiaries. If these funds are needed in the U.S., we believe that the potential U.S. tax impact to repatriate these funds would be immaterial.

Hercules Loan Agreement

On May 23, 2018, the Company and its domestic subsidiaries, as co-borrowers, entered into a Loan and Security Agreement with several banks and other financial institutions or entities from time to time party to the Loan Agreement and Hercules Capital, Inc., as administrative agent and collateral agent. Please see the description of the Hercules Loan Agreement above in this "Management's Discussion and Analysis of Financial Condition and Results of Operations - Debt Refinancing."

Innovatus Loan Agreement

On May 10, 2017, the Company and its domestic subsidiaries, as co-borrowers, entered into the Innovatus Loan Agreement with Innovatus Life Sciences Lending Fund I, LP, as Lender and Collateral Agent. Please see the description of the Innovatus Loan Agreement above in this "Management's Discussion and Analysis of Financial Condition and Results of Operations - Debt Refinancing."

In connection with the entry into the Hercules Loan Agreement, the proceeds of which were used to repay the Innovatus Loan, we were obligated to pay final payment and prepayment fees under the Innovatus Loan Agreement. The final payment fee obligation was $1.0 million and was paid during the six months ended June 30, 2018.

Off-Balance Sheet Arrangements

As of June 30, 2018, the Company did not have any off-balance sheet arrangements.

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 financial statements and notes thereto appearing in this Form 10-Q and in the Fiscal 2017 Form 10-K. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues 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, contingent consideration, warrant liabilities, stock-based compensation, inventory, and revenue recognition. 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 Financial Statements in this Form 10-Q. 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, in-process research and development, contingent consideration, warrants liabilities, stock-based compensation, inventory and revenue recognition.

Identifiable Intangible Assets and Goodwill

Identifiable intangible assets consist of purchased patent rights recorded at cost and developed technology acquired as part of a business acquisition recorded at estimated fair value. Intangible assets are amortized over 5 to 10 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 by performing either a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors, including industry, market and general economic conditions, market value, and future projections to determine whether it is more likely than not that the fair value of a reporting unit is less than it's carrying amount, including goodwill.

As of December 31, 2017, we elected to bypass the qualitative assessment and calculated the fair value of our reporting unit, which exceeded the carrying amount. Accordingly, no charge for goodwill impairment was required as of December 31, 2017.

A significant amount of judgment is involved in determining if an indicator of goodwill impairment has occurred. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in the Company's stock price and market capitalization; a significant adverse change in legal factors or in the business climate; adverse assessment or action by a regulator; and unanticipated competition. Key assumptions used in the annual goodwill impairment test are highly judgmental and include: selection of comparable companies and amount of control premium. Any change in these indicators or key assumptions could have a significant negative impact on the Company's financial condition, impact the goodwill impairment analysis or cause the Company to perform a goodwill impairment analysis more frequently than once per year.

Contingent Consideration

Contingent consideration is recorded as a liability and measured at fair value using a discounted cash flow model utilizing significant unobservable inputs including the probability of achieving each of the potential milestones and an estimated discount rate associated with the risks of the expected cash flows attributable to the various milestones. Significant increases or decreases in any of the probabilities of success or changes in expected timelines for achievement of any of these milestones would result in a significantly higher or lower fair value of these milestones, respectively, and commensurate changes to the associated liability. The fair value of the contingent consideration at each reporting date will be updated by reflecting the changes in fair value in our statements of operations and comprehensive loss.

Warrant Liabilities

For the Series B Warrants, the warrants are recorded as liabilities and are revalued at each reporting period. The change in fair value is recognized in the consolidated statements of operations and comprehensive loss. The selection of the appropriate valuation model and the inputs and assumptions that are required to determine the valuation requires significant judgment and requires management to make estimates and assumptions that affect the reported amount of the related liability and reported amounts of the change in fair value. Actual results could differ from those estimates, and changes in these estimates are recorded when known. As the warrant liability is required to be measured at fair value at each reporting date, it is reasonably possible that these estimates and assumptions could change in the near term.

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 as well as the Company’s historical volatility. The expected term of options granted by us has been determined based upon the simplified method, because we do not have sufficient historical information regarding our 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.

Inventory

Inventory, which includes material, labor and overhead costs, is stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value. We record reserves, when necessary, to reduce the carrying value of inventory to its 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.

Revenue Recognition

Our revenue consists of product revenue resulting from the sale of systems, system components, instruments and accessories, and service revenue. We account for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Our revenues are measured based on consideration specified in the contract with each customer, net of any sales incentives and taxes collected from customers that are remitted to government authorities.

Our system sale arrangements generally contain multiple products and services. For these bundled sale arrangements, we account for individual products and services as separate performance obligations if they are distinct, which is if a product or service is separately identifiable from other items in the bundled package, and if a customer can benefit from it on its own or with other resources that are readily available to the customer. Our system sale arrangements include a combination of the following performance obligations: system(s), system components, instruments, accessories, and system service. Our system sale arrangements generally include a five-year period of service. The first year of service is generally free and included in the system sale arrangement and the remaining four years are generally included at a stated service price. We consider the service terms in the arrangements that are legally enforceable to be performance obligations. Other than service, we generally satisfy all of the performance obligations up-front. System components, system accessories, instruments, accessories, and service are also sold on a standalone basis.

We recognize revenues as the performance obligations are satisfied by transferring control of the product or service to a customer. We generally recognize revenue for the performance obligations at the following points in time:

- *System sales.* For systems and system components sold directly to end customers, revenue is recognized when we transfer control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. For systems sold through distributors, with the distributors responsible for installation, revenue is recognized generally at the time of shipment. Our system arrangements generally do not provide a right of return. The systems are generally covered by a one-year warranty. Warranty costs were not material for the periods presented.
- *Instruments and accessories.* Revenue from sales of instruments and accessories is recognized when control is transferred to the customers, which generally occur at the time of shipment, but also occur at the time of delivery depending on the customer arrangement. Accessory products include sterile drapes used to help ensure a sterile field during surgery, vision products such as replacement endoscopes, camera heads, light guides, and other items that facilitate use of the Senhance Surgical System.
- *Service.* Service revenue is recognized ratably over the term of the service period as the customers benefit from the service throughout the service period. Revenue related to services performed on a time-and-materials basis is recognized when performed.

For multiple-element arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which we separately sell the products or services. Due to limited sales to date, standalone selling prices are not yet directly observable. We estimate the standalone selling price using the market assessment approach considering market conditions and entity-specific factors including, but not limited to, features and functionality of the products and services, geographies, type of customer, and market conditions. We regularly review standalone selling prices and update these estimates if necessary. Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to service obligations performed under our system sales contracts that will be invoiced and recognized as revenue in future periods.

We invoice our customers based on the billing schedules in our sales arrangements. Contract assets for the periods presented primarily represent the difference between the revenue that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Deferred revenue for the periods presented was primarily related to service obligations, for which the service fees are billed up-front, generally annually. The associated deferred revenue is generally recognized ratably over the service period.

In connection with assets recognized from the costs to obtain a contract with a customer, we have determined that sales incentive programs for our sales team do not meet the requirements to be capitalized as we do not expect to generate future economic benefits from the related revenue from the initial sales transaction.

Recent Accounting Pronouncements

See “Note 2. Summary of Significant Accounting Policies” of the Notes to Consolidated Financial Statements in the Company’s Fiscal 2017 Form 10-K, as well as the notes to the consolidated financial statements above in this Form 10-Q, 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

General

We have limited exposure to market risks from instruments that may impact the Balance Sheets, Statements of Operations and Comprehensive Loss, and Statements of Cash Flows. Such exposure is due primarily to changing interest rates and foreign currency exchange rates.

Interest Rates

The primary objective for our investment activities is to preserve principal while maximizing yields without significantly increasing risk. This is accomplished by investing excess cash in money market funds and Treasury securities. As of June 30, 2018, approximately 100% of the investment portfolio was in cash equivalents with very short term maturities and therefore not subject to any significant interest rate fluctuations.

Foreign Currency Exchange Rate Risk

We conduct operations in several different countries, including the U.S. and throughout Europe, and portions of our revenues, expenses, assets and liabilities are denominated in U.S. dollars, Euros or other currencies. Since our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. We have not historically hedged our exposure to foreign currency fluctuations. Accordingly, increases or decreases in the value of the U.S. dollar against the Euro and other currencies could materially affect our net operating revenues, operating income and the value of balance sheet items denominated in foreign currencies.

During the six months ended June 30, 2018, 87% of our revenue and approximately 38% of our operating expenses, excluding the offsetting impact of the gain from sale of SurgiBot assets, were denominated in currencies other than the U.S. dollar, most notably the Euro. Based on actual results over the past year, a hypothetical 10% increase or decrease in the U.S. dollar against the Euro would have increased or decreased revenue by approximately $1.0 million and operating expenses by approximately $1.4 million.

ITEM 4. CONTROLS AND PROCEDURES

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 June 30, 2018. 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 such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Controls 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.

PART II. OTHER INFORMATION

Item 1 Legal Proceedings

None.

Item 1A Risk Factors.

Reference is made to the Risk Factors included in our Fiscal 2017 Form 10-K.

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

The following table summarizes the Company's purchases of its common stock for the quarter ended June 30, 2018:

	Issuer Purchases of Equity Securities			
Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs
April 1 - 30, 2018	—	$ —	—	—
May 1 - 31, 2018	—	—	—	—
June 1 - 30, 2018	1,996	5.85	—	—
Total	1,996	$ 5.85	—	—

(1) These amounts consist of 1,996 shares we acquired from employees associated with the withholding of shares to pay certain withholding taxes upon the vesting of stock-based compensation in accordance with the terms of our equity compensation plan that were previously approved by our stockholders and disclosed in our proxy statements. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day prior to the vesting date.

Item 3 Defaults Upon Senior Securities.

None.

Item 4 Mine Safety Disclosures.

Not applicable.

Item 5 Other Information

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1 * !	Loan and Security Agreement, dated May 23, 2018, with the several banks and other financial institutions or entities from time to time party to the Loan Agreement as Lenders and Hercules Capital, Inc., as administrative agent and collateral agent.
10.2	Loan and Security Agreement, dated May 10, 2017, by and among TransEnterix, Inc., TransEnterix Surgical, Inc., TransEnterix International, Inc. and SafeStitch LLC, as Borrower, and Innovatus Life Sciences Lending Fund I, LP, as Lender and Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 10, 2017).
10.3 +	TransEnterix, Inc. Amended and Restated Incentive Compensation Plan, as amended and restated (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 25, 2018).
10.4 +	TransEnterix, Inc. Non-Employee Director Compensation Program, effective May 24, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 29, 2018).
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.
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

\+ A management contract, compensatory plan or arrangement required to be separately identified.

! Confidential treatment has been requested for certain portions of this agreement pursuant to an application for confidential treatment filed with the Securities and Exchange Commission on August 7, 2018. Such provisions have been filed separately with the Commission.

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: August 7, 2018

By: /s/ Todd M. Pope
Todd M. Pope
President and Chief Executive Officer

Date: August 7, 2018

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

EXHIBIT 10.1

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made and dated as of May 23, 2018 and is entered into by and among TRANSENTERIX, INC., a Delaware corporation ("Parent"), TRANSENTERIX SURGICAL, INC., a Delaware corporation ("TSI"), TRANSENTERIX INTERNATIONAL, INC., a Delaware corporation ("TII"), SAFESTITCH LLC, a Virginia limited liability company ("SafeStitch"), and each Domestic Subsidiary of the foregoing from time to time party hereto (Parent, TSI, TII, SafeStitch and such Domestic Subsidiaries individually and collectively, jointly and severally, "Borrower" or "Borrowers"), the several banks and other financial institutions or entities from time to time parties to this Agreement (collectively, referred to as "Lender") and HERCULES CAPITAL, INC., a Maryland corporation, in its capacity as administrative agent and collateral agent for itself and Lender (in such capacity, "Agent").

RECITALS

A. Borrower has requested Lender to make available to Borrower a term loan in the aggregate principal amount of $20,000,000 (the "Tranche I Loan"), all of which will be funded on the Closing Date;

B. Borrower has requested Lender to make available to Borrower, during the Tranche II Loan Availability Period, an additional term loan in the aggregate principal amount of $10,000,000 (the "Tranche II Loan"), subject to Borrower's satisfaction of the Tranche II Loan Conditions;

C. Borrower has requested Lender to make available to Borrower, during the Tranche III Loan Availability Period, an additional term loan in the aggregate principal amount of $10,000,000 (the "Tranche III Loan" and together with the Tranche I Loan and the Tranche II Loan, the "Term Loans" and each a "Term Loan"), subject to Borrower's satisfaction of the Tranche III Loan Conditions; and

D. Lender is willing to make the Term Loans on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, each Borrower, Agent and Lender agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Account Control Agreement" means any agreement entered into by and among Agent, a Loan Party and a third party Bank or other institution (including a Securities Intermediary) in which a Loan Party maintains a Deposit Account or an account holding Investment Property and which perfects Agent's first priority security interest in the subject account or accounts.

"ACH Authorization" means the ACH Debit Authorization Agreement in substantially the form of Exhibit H, which account numbers shall be redacted for security purposes if and when filed publicly by Parent.

"Advance(s)" means any Term Loan funds advanced under this Agreement

"Advance Date" means the funding date of any Advance.

"Advance Request" means a request for an Advance submitted by Parent to Agent in substantially the form of Exhibit A, which account numbers shall be redacted for security purposes if and when filed publicly by Parent.

"Affiliate" means (i) any Person that directly or indirectly controls, is controlled by, or is under common control with the Person in question, (ii) any Person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting Equity Interests of another Person, or (iii) any Person 10% or more of whose outstanding voting Equity Interests are directly or indirectly owned, controlled or held by another Person with power to vote such securities. As used in the definition of "Affiliate," the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agent" has the meaning given to it in the preamble to this Agreement.

"Agreement" means this Loan and Security Agreement, as amended from time to time.

"Amortization Date" means December 1, 2020.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to a Loan Party or any of its Subsidiaries or Affiliates from time to time concerning or relating to bribery or corruption, including without limitation the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010 and other similar legislation in any other jurisdictions.

"Anti-Terrorism Laws" means any laws, rules, regulations or orders relating to terrorism or money laundering, including without limitation Executive Order No. 13224 (effective September 24, 2001), the USA PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by OFAC.

"Assignee" has the meaning given to it in Section 11.13.

"Blocked Person" means any Person: (i) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224; (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224; (iii) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; (iv) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224; or (v) a Person that is named a "specially designated national" or "blocked person" on the most current list published by OFAC or other similar list.

"Borrower" or "Borrowers" has the meaning given to it in the preamble to this Agreement.

"Borrower Products" means all products, software, service offerings, technical data or technology currently being designed, manufactured, sold, licensed or distributed by Borrower or any of its Subsidiaries or which Borrower or any of its Subsidiaries intend to sell, license, or distribute in the future including any products or service offerings under development.

"Business Day" means any day other than Saturday, Sunday and any other day on which banking institutions in the State of California or the State of New York are closed for business.

"Cash" means all cash, cash equivalents and liquid funds.

"Change in Control" means (i) any reorganization, recapitalization, consolidation or merger (or similar transaction or series of related transactions) of Parent, sale or exchange of outstanding shares (or similar transaction or series of related transactions) of Parent in which the holders of Parent's outstanding shares immediately before consummation of such transaction or series of related transactions do not, immediately after consummation of such transaction or series of related transactions, retain shares representing more than 50% of the voting power of the surviving entity of such transaction or series of related transactions (or the parent of such surviving entity if such surviving entity is wholly owned by such parent), in each case without regard to whether Parent is the surviving entity; or (ii) Parent ceases to own, directly or indirectly, 100% of the Equity Interests of any other Loan Party.

"Claims" has the meaning given to it in Section 11.10.

"Closing Date" means the date of this Agreement.

"Collateral" means the property described in Section 3.3.

"Confidential Information" has the meaning given to it in Section 11.12.

"Contingent Obligation" means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any Indebtedness, lease, dividend, letter of credit or other obligation of another, including any such obligation directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable; provided, however, that the term "Contingent Obligation" shall not include (i) endorsements for collection or deposit in the ordinary course of business or (ii) any indemnity obligations of such Person to any seller, buyer, licensee or licensor, as applicable, incurred in connection with an acquisition, divestiture, license, assignment or other disposition of assets permitted under this Agreement. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

"Copyright License" means any written agreement granting any right to use any Copyright or Copyright registration, in which agreement Borrower or any of its Subsidiaries now holds or hereafter acquires any interest.

"Copyrights" means all copyrights, whether registered or unregistered, held pursuant to the laws of the United States of America, any State thereof, or of any other country.

"Deposit Accounts" means any "deposit accounts," as such term is defined in the UCC, and includes any checking account, savings account, or certificate of deposit.

"Domestic Subsidiary" means any Subsidiary that is not a Foreign Subsidiary.

"Due Diligence Fee" means $30,000, which fee has been paid to Agent prior to the Closing Date, and shall be deemed fully earned on such date regardless of the early termination of this Agreement.

"Equity Interests" means, with respect to any Person, the capital stock, partnership or limited liability company interest, or other equity securities or equity ownership interests of such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"EU/Vulcanos License Agreement" is that certain License Agreement, dated September 18, 2015, between The European Union and TransEnterix Italia (f/k/a Vulcanos s.r.L).

"Event of Default" has the meaning given to it in Section 9.

"Excluded Account" means any Account (including, for the avoidance of doubt, any Cash contained therein): (i) used exclusively for payroll, payroll taxes and other employee wage and benefit payments maintained in the ordinary course of business and consistent with past practice and with a balance no greater than the payroll, payroll taxes and other employee wages and benefit payment obligations that are to be paid during any one month period; or (ii) constituting a "zero balance" Account.

"Facility Charge" means one percent of the Maximum Term Loan Amount, or $400,000.

"Financial Statements" has the meaning given to it in Section 7.1.

"Foreign Collateral" has the meaning give to it in Section 3.3.

"Foreign Subsidiary" means any Subsidiary other than a Subsidiary organized under the laws of any state within the United States of America.

"GAAP" means generally accepted accounting principles in the United States of America, as in effect from time to time.

"Guarantors" means any Person providing a Guaranty in favor of Agent for the benefit of Lender, and includes each Material Foreign Subsidiary (whether existing on the Closing Date or formed following the Closing Date). As of the Closing Date, the Guarantors include TransEnterix Europe and TransEnterix Italia.

"Guaranty" means any guarantee of all or any part of the Secured Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

"Guaranty Documents" means each Guaranty and each Account Control Agreement (to be executed by a Guarantor) and security agreement or similar agreement or instrument executed and or delivered in connection therewith, together with all other agreements required by Agent hereunder from any Guarantor, all in form and substance acceptable to Agent.

"Immaterial Foreign Subsidiary" and "Immaterial Foreign Subsidiaries" means any Foreign Subsidiary or Foreign Subsidiaries that are not Material Foreign Subsidiaries.

"Indebtedness" means indebtedness of any kind in respect of (i) all indebtedness for borrowed money or the deferred purchase price of property or services (excluding trade credit entered into in the ordinary course of business due within 90 days), including reimbursement and other obligations with respect to surety bonds and letters of credit, (ii) all obligations evidenced by notes, bonds, debentures or similar instruments, (iii) all capital lease obligations; (iv) any obligations with respect to undrawn letters of credit, corporate credit cards or merchant services; and (v) all obligations arising under any interest rate, currency or commodity swap agreement, interest rate cap agreement, interest rate collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices and (vi) all Contingent Obligations.

"Indemnified Person" has the meaning give to it in Section 6.3.

"Intellectual Property" means the Loan Parties' and their Subsidiaries' Copyrights; Trademarks; Patents; Licenses; trade secrets and inventions; mask works; the Loan Parties' and their Subsidiaries' applications therefor and reissues, extensions, or renewals thereof; and the Loan Parties' and their Subsidiaries' goodwill associated with any of the foregoing, together with the Loan Parties' and their Subsidiaries' rights to sue for past, present and future infringement of Intellectual Property and the goodwill associated therewith.

"Intellectual Property Security Agreement" means an Intellectual Property Security Agreement among the applicable Loan Parties, Agent and Lender under this Agreement, in form and substance reasonably acceptable to Agent. "Inventory" means "inventory" as defined in Article 9 of the UCC.

"Investment" means any beneficial ownership (including stock, partnership or limited liability company interests) of or in any Person, or any loan, advance or capital contribution (in the form of cash or assets) to any Person or the acquisition of any asset of another Person.

"Joinder Agreement" means for each Domestic Subsidiary, a completed and executed Joinder Agreement in substantially the form attached hereto as Exhibit G.

"Lender" has the meaning given to it in the preamble to this Agreement.

"Liabilities" has the meaning given to it in Section 6.3.

"License" means any Copyright License, Patent License, Trademark License or other license of rights or interests.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest.

"Loan" means the Advances made under this Agreement.

"Loan Documents" means this Agreement, the Guaranty Documents, the Intellectual Property Security Agreement, the Notes (if any), the ACH Authorization, the Account Control Agreements, the Joinder Agreements, all UCC Financing Statements, and any other documents executed in connection with the Secured Obligations or the transactions contemplated hereby, as the same may from time to time be amended, modified, supplemented or restated.

"Loan Party" means each Borrower and each Guarantor, and "Loan Parties" means Borrowers and the Guarantors, collectively.

"Material Adverse Effect" means a material adverse effect upon: (i) the business, operations, properties, assets or financial condition of the Loan Parties and their Subsidiaries taken as a whole; or (ii) the ability of the Loan Parties, taken as a whole, to perform or pay the Secured Obligations in accordance with the terms of the Loan Documents, or the ability of Agent or Lender to enforce any of its rights or remedies with respect to the Secured Obligations; or (iii) the Collateral, taken as a whole, or Agent's Liens on the Collateral or the priority of such Liens.

"Material Foreign Subsidiary" is any Foreign Subsidiary with assets in excess of five percent of the aggregate amount of the assets of Parent and its Subsidiaries on a consolidated basis for three consecutive months.

"Maximum Term Loan Amount" means $40,000,000.

"Maximum Rate" has the meaning given to it in Section 2.2.

"Net Revenue" means the revenue earned by Parent, on a consolidated basis, as recognized and calculated by Parent in accordance with GAAP, and excluding (i) rebates, (ii) wholesaler fees, (iii) returns, (iv) chargebacks and (v) any other discounts or credits incurred, in each case to the extent not already excluded in the calculation of Parent's revenue under GAAP.

"Note" or "Notes" means a Term Note.

"OFAC" is the U.S. Department of Treasury Office of Foreign Assets Control.

"OFAC Lists" are, collectively, the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) and/or any other list of terrorists or other restricted Persons maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Executive Orders.

"Parent" has the meaning give to it in the preamble to this Agreement.

"Patent License" means any written agreement granting any right with respect to any invention on which a Patent is in existence or a Patent application is pending, in which agreement Borrower or any of its Subsidiaries now holds or hereafter acquires any interest.

"Patents" means all letters patent of, or rights corresponding thereto, in the United States of America or in any other country, all registrations and recordings thereof, and all applications for letters patent of, or rights corresponding thereto, in the United States of America or any other country.

"Performance Milestone I" means Parent having recognized, on a consolidated basis, Net Revenue for the 2018 fiscal year from sales of Senhance Systems **[**********]**, as verified by Agent acting reasonably.

"Performance Milestone II" means Parent having recognized, on a consolidated basis, Net Revenue from sales of Senhance Systems **[**********]**, as verified by Agent acting reasonably.

"Permitted Indebtedness" means: (i) Indebtedness of any Loan Party in favor of Lender or Agent arising under this Agreement or any other Loan Document; (ii) Indebtedness existing on the Closing Date which is disclosed in, and subject to the limitations set forth in, Schedule 1A; (iii) Indebtedness of up to [*******] outstanding at any time secured by a Lien described in clause (vii) of the defined term "Permitted Liens;" provided that such Indebtedness does not exceed the cost of the property or assets financed with such Indebtedness; (iv) Indebtedness to trade creditors incurred in the ordinary course of business; (v) Indebtedness that also constitutes a Permitted Investment; (vi) Subordinated Indebtedness; (vii) reimbursement obligations in connection with letters of credit and bankers' guarantees that are secured by Cash and issued on behalf of a Borrower or a Subsidiary thereof and Indebtedness incurred in the ordinary course of business with respect to corporate credit cards and/or merchant services (including any guarantees entered into connection such corporate credit cards and/or merchant services), all in an aggregate amount not to exceed [********] at any time outstanding and reimbursement obligations for letters of credit and/or bankers' guarantees under this clause (vii) in an amount not to exceed [*******] may be secured by Liens described in clause (xiv) of the definition of "Permitted Liens;" (viii) other unsecured Indebtedness in an amount not to exceed [********] at any time outstanding; and (ix) extensions, refinancings and renewals of any items of Permitted Indebtedness; provided that the principal amount is not increased or the terms modified to impose materially more burdensome terms upon the Loan Parties or their Subsidiaries, as the case may be.

"Permitted Investment" means: (i) Investments existing on the Closing Date which are disclosed in Schedule 1B; (ii) (a) Cash, (b) marketable direct obligations issued or

unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one year from the date of acquisition thereof currently having a rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Services, (c) commercial paper maturing no more than one year from the date of creation thereof and currently having a rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (d) certificates of deposit issued by any bank with assets of at least $500,000,000 maturing no more than one year from the date of investment therein, (e) money market accounts and (f) any Investments permitted by Borrower's investment policy, as amended from time to time; provided that such investment policy (and any such amendment thereto) has been approved in writing by Agent; (iii) repurchases of stock from former employees, directors, or consultants of Borrower under the terms of applicable repurchase agreements in an aggregate amount not to exceed [***********] in any fiscal year; provided that no Event of Default has occurred and is continuing or could exist after giving effect to any such repurchases; (iv) Investments accepted in connection with Permitted Transfers; (v) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of Borrower's business; (vi) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Subsidiaries or Affiliates, in the ordinary course of business; (vii) Investments consisting of loans to employees, officers or directors relating to the purchase of capital stock of Borrower pursuant to employee stock purchase plans or other similar agreements approved by Borrower's Board of Directors, in an aggregate amount not to exceed [***********] outstanding at any time during any fiscal year, when taken together with Investments made under clause (viii) of this definition; (viii) Investments consisting of travel advances and employee relocation loans and other employee, officer or director loans and advances (or guarantees thereof) in the ordinary course of business, in an aggregate amount not to exceed [***********] outstanding at any time during any fiscal year, when taken together with Investments made under clause (vii) of this definition; (ix) Investments (a) by a Borrower or a Guarantor in another Borrower or a another Guarantor; provided that no Event of Default has occurred and is continuing or could exist after giving effect to any such Investments, (b) in a newly-formed Domestic Subsidiaries; provided that no Event of Default has occurred and is continuing or could exist after giving effect to any such Investments; provided that such Domestic Subsidiary enters into a Joinder Agreement and execute such other documents in accordance with Section 7.13 prior to such Investment being made; (x) Investments by a Loan Party or any Immaterial Foreign Subsidiaries in any Immaterial Foreign Subsidiaries, other than TransEnterix Japan (including indirectly through another Immaterial Foreign Subsidiary), which are not in excess of [***********] in the aggregate; provided that no Event of Default has occurred and is continuing or could exist after giving effect to any such Investments; provided further that for purposes of the [************] cap the aggregate amount of such Investments shall be determined net of cash payments of principal, dividends or redemptions received by the applicable Loan Party or Immaterial Foreign Subsidiary arising directly as a result of such Investments; (xi) Investments by an Loan Party or Immaterial Foreign Subsidiaries in TransEnterix Japan in an amount not to exceed [*************] during any fiscal year; provided that no Event of Default has occurred and is continuing or could exist after giving effect to any such Investments; provided further that for purposes of the [********] cap the aggregate amount of such Investments shall be determined net of cash payments of principal, dividends or redemptions received by the applicable Loan Party or Immaterial Foreign

Subsidiary arising directly as a result of such Investments; (xii) joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the nonexclusive licensing of technology, the development of technology or the providing of technical support; provided that (a) any cash Investments by Borrower do not exceed [*******] in the aggregate in any fiscal year and (b) for purposes of such limitation the aggregate amount of such Investments shall be determined net of cash payments of principal, dividends or redemptions to the extent received by a Borrower or a Guarantor; and (xiii) additional Investments that do not exceed [*******] in the aggregate; provided that for purposes of such limitation the aggregate amount of such Investments shall be determined net of cash payments of principal, dividends or redemptions to the extent received by a Borrower or a Guarantor.

"Permitted Liens" means any and all of the following: (i) Liens in favor of Agent or Lender; (ii) Liens existing on the Closing Date which are disclosed in Schedule 1C; (iii) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings so long as adequate reserves therefor are maintained in accordance with GAAP; (iv) Liens securing claims or demands of materialmen, artisans, mechanics, carriers, warehousemen, landlords, suppliers and other like Persons arising in the ordinary course business and which are not delinquent or which are being contested in good faith proceedings so long as adequate reserves therefor are maintained in accordance with GAAP; (v) Liens arising from judgments, decrees or attachments in circumstances which do not constitute an Event of Default hereunder; (vi) the following deposits, to the extent made in the ordinary course of business: deposits under worker's compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure indemnity, performance or other similar bonds for the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure statutory obligations (other than Liens arising under ERISA or environmental Liens) or surety or appeal bonds, or to secure indemnity, performance or other similar bonds; (vii) Liens on property or assets constituting purchase money Liens and Liens in connection with capital leases, in each case, securing Indebtedness permitted in clause (iii) of "Permitted Indebtedness;" (viii) Liens incurred in connection with Subordinated Indebtedness; (ix) leasehold interests in leases or subleases and licenses granted in the ordinary course of business and not interfering in any material respect with the business of the licensor; (x) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties which are not delinquent or which are being contested in good faith by appropriate proceedings so long as adequate reserves therefor are maintained in accordance with GAAP; (xi) Liens on insurance proceeds securing the payment of financed insurance premiums that are promptly paid on or before the date they become due (provided that such Liens extend only to such insurance proceeds and not to any other property or assets); (xii) bankers' liens, statutory and common law rights of set-off and other similar rights as to deposits of Cash and securities in favor of banks, other depository institutions and brokerage firms; (xiii) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business so long as they do not materially impair the value or marketability of the related property; (xiv) Liens on Cash and Deposit Accounts holding such Cash securing obligations permitted under clause (vii) of the definition of Permitted Indebtedness; (xv) other Cash security deposits or similar arrangements in connection with real property or automobiles leases in an aggregate amount not to exceed [*******] at any time; and (xvi) Liens incurred in connection

with the extension, renewal or refinancing of the Indebtedness permitted under clause (x) of the definition of "Permitted Indebtedness" and secured by the applicable Liens of the type described above; provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Permitted Indebtedness secured by such Lien (as such principal amount may have been reduced by any payments thereon) does not increase.

"Permitted Transfers" means (i) sales of Inventory in the ordinary course of business; (ii) non-exclusive licenses and similar arrangements for the use of Intellectual Property in the ordinary course of business and licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States of America in the ordinary course of business; (iii) subject to all other limitations under this Agreement, dispositions of worn-out, obsolete or surplus equipment or other fixed assets at fair market value in the ordinary course of business; (iv) subject to all other limitations under this Agreement, the transfer, sale, lease, assignment, disposition or other conveyance of any equitable, beneficial or legal interest in assets from (a) a Loan Party to another Loan Party, (b) from an Immaterial Foreign Subsidiary to a Loan Party or (c) from a Loan Party or an Immaterial Foreign Subsidiary to an Immaterial Foreign Subsidiary; (v) a transaction permitted by Section 7.9; and (vi) other transfers, sales, leases assignments or other dispositions of assets having a fair market value of not more than [**********] in the aggregate in any fiscal year.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

"Prepayment Charge" has the meaning given to it in Section 2.4(a).

"Projected Net Revenue" has the meaning give to it in Section 7.21(b).

"Receivables" means (i) all of each Loan Party's Accounts, Instruments, Documents, Chattel Paper, Supporting Obligations, letters of credit, proceeds of any letter of credit, and Letter of Credit Rights, and (ii) all customer lists, software, and business records related thereto.

"Required Lenders" means at any time, the holders of more than 50% of the sum of the aggregate unpaid principal amount of the Term Loans then outstanding.

"Sanctioned Country" means, at any time, a country or territory which is the subject or target of any Sanctions.

"Sanctioned Person" means, at any time, (i) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state, (ii) any Person operating, organized or resident in a Sanctioned Country, or (iii) any Person controlled by any such Person.

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (i) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (ii) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"SafeStitch" has the meaning given to it in the preamble to this Agreement.

"Secured Obligations" means each Loan Party's obligations under this Agreement and any Loan Document, including any obligation to pay any amount now owing or later arising.

"Senhance System" means the Senhance Surgical Robotic System, including related disposables, software and services.

"SOFAR Lien" means that certain 24 month Lien (expiring September 18, 2017) on 10% of the ownership interest of TransEnterix Italia originally granted by TII, as the direct parent of TransEnterix Italia at such time, to SOFAR, S.p.A. ("SOFAR") in accordance with the terms of that certain Quota Pledge Agreement, dated September 21, 2015 ("Quota Pledge Agreement"), by and between TII and SOFAR in order to secure Parent's/TII's obligations under the SOFAR/Vulcanos Interest Purchase Agreement and Parent's obligations to register in the name of, and deliver to, SOFAR 1,554,341 shares of Parent's stock by the end of the Escrow Period (as defined in the SOFAR/Vulcanos Interest Purchase Agreement. The Quota Pledge Agreement was modified pursuant to a Letter Agreement, dated July 22, 2016, among Parent, TII, TransEnterix Europe and SOFAR to reflect that TransEnterix Europe, as the direct of owner of TransEnterix Italia following the reorganization resulting in TransEnterix Italia becoming a direct subsidiary of TransEnterix Europe, was the new pledger of the Lien of the 10% ownership interests in TransEnterix Italia to SOFAR under the terms of such Quota Pledge Agreement.

"SOFAR Third Tranche" means the "Third Tranche" as defined in Section 2.2(d)(iii) of the SOFAR/Vulcanos Interest Purchase Agreement.

"SOFAR/Vulcanos Interest Purchase Agreement" means that certain Membership Interest Purchase Agreement, dated September 18, 2015, among Parent, TII, SOFAR and Vulcanos, S.R.L. pursuant to which TII purchased all of the outstanding equity units of Vulcanos S.R.L.

"Subordinated Indebtedness" means Indebtedness subordinated to the Secured Obligations in amounts and on terms and conditions satisfactory to Agent in its sole discretion and subject to a subordination agreement in form and substance satisfactory to Agent in its sole discretion.

"Subsequent Financing" means the closing of equity financing by Parent (other than, for the avoidance of doubt, any at-the-market (ATM) offering) that is offered to multiple investors and which becomes effective after the Closing Date.

"Subsidiary" means an entity, whether corporate, partnership, limited liability company, joint venture or otherwise, in which a Loan Party owns or controls 50% or more of the outstanding voting Equity Interests, including each entity listed on Schedule 1 hereto.

"Surgibot License Agreement" is that certain License Agreement, dated March 22, 2018, between Great Belief International Limited and Parent.

"TII" has the meaning given to it in the preamble to this Agreement.

"TSI" has the meaning given to it in the preamble to this Agreement.

"Term Loan Commitment" means as to any Lender, the obligation of such Lender, if any, to make an Advance to Borrower in a principal amount not to exceed the amount set forth under the heading "Term Loan Commitment" opposite such Lender's name on Schedule 1.1.

"Term Loan" or "Term Loans" has the meaning given to it in the Recitals.

"Term Loan Interest Rate" means for any day a per annum rate of interest equal to the greater of (i) 9.55% or (ii) 9.55% plus the prime rate as reported in The Wall Street Journal minus 5.00%; provided, however, if Borrower requests and Lender makes the Tranche III Loan then commencing on the first interest payment date in the first fiscal quarter following the Tranche III Loan Advance, the "Term Loan Interest Rate" shall mean for any day a per annum rate of interest equal to the greater of (x) 9.20% or (y) 9.20% plus the prime rate as reported in The Wall Street Journal minus 5.00%.

"Term Loan Maturity Date" means June 1, 2022.

"Term Note" means a Promissory Note in substantially the form of Exhibit B.

"Trademark License" means any written agreement granting any right to use any Trademark or Trademark registration that a Borrower or any of its Subsidiaries now holds or hereafter acquires any interest.

"Trademarks" means all trademarks (registered, common law or otherwise) and any applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States of America, any State thereof or any other country or any political subdivision thereof.

"Tranche I Loan" has the meaning given to it in the Recitals.

"Tranche II Loan" has the meaning given to it in the Recitals.

"Tranche II Loan Availability Period" means the period commencing on the Closing Date and ending on December 31, 2018.

"Tranche II Loan Conditions" means satisfaction of each of the following: (i) no default or Event of Default shall have occurred and be continuing and (ii) on or before December 31, 2018 Borrower shall have achieved Performance Milestone I.

"Tranche III Loan" has the meaning given to it in the Recitals.

"Tranche III Loan Availability Period" means the period commencing on **[****** ****]** and ending on [**********].

"Tranche III Loan Conditions" means satisfaction of each of the following: (i) no default or Event of Default shall have occurred and be continuing and (ii) on or before **[******** *******]** Borrower shall have achieved Performance Milestone II.

"TransEnterix Europe" TransEnterix Europe S.A.R.L., a limited private company under the laws of Luxembourg.

"TransEnterix Italia" means TransEnterix Italia S.R.L., a limited company under the laws of Italy.

"TransEnterix Japan" means TransEnterix Japan K.K., a corporation under the laws of Japan.

"UCC" means the Uniform Commercial Code as the same is, from time to time, in effect in the State of California; provided that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Agent's Lien on any Collateral is governed by the Uniform Commercial Code as the same is, from time to time, in effect in a jurisdiction other than the State of New York, then the term "UCC" shall mean the Uniform Commercial Code as in effect, from time to time, in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"UCC Collateral" has the meaning give to it in Section 3.1.

Unless otherwise specified, all references in this Agreement or any Annex or Schedule hereto to a "Section," "subsection," "Exhibit," "Annex," or "Schedule" shall refer to the corresponding Section, subsection, Exhibit, Annex, or Schedule in or to this Agreement. Unless otherwise specifically provided herein, any accounting term used in this Agreement or the other Loan Documents shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP, consistently applied. Unless otherwise defined herein or in the other Loan Documents, terms that are used herein or in the other Loan Documents and defined in the UCC shall have the meanings given to them in the UCC. Anything in this Agreement to the contrary notwithstanding, any obligation of a Person under a lease that is not required to be classified and accounted for as a capital lease on the balance sheet of such Person under GAAP as in effect on the Closing Date shall not be treated as a capital lease solely as a result of the adoption of any changes in, or changes in the application of, GAAP after the Closing Date.

SECTION 2. THE LOAN

2.1 **Term Loans**.

(a) **Advances**. Subject to the terms and conditions of this Agreement:

(i) Lender will severally (and not jointly) make, in an amount not to exceed its respective Term Loan Commitment, and Borrower agrees to draw, an Advance in an amount equal to the Tranche I Loan on the Closing Date;

(ii) during the Tranche II Loan Availability Period, and subject to Borrower's satisfaction of the Tranche II Loan Conditions, Borrower may request an additional Advance in an amount equal to the Tranche II Loan; and

(iii) during the Tranche III Loan Availability Period, and subject to Borrower's satisfaction of the Tranche III Loan Conditions, Borrower may request an additional Advance in an amount equal to the Tranche III Loan.

(b) **Advance Request**. To obtain an Advance, Borrower shall complete, sign and deliver an Advance Request (at least three Business Days before the Advance Date other than the Closing Date, which shall be at least one Business Day) to Agent. Lender shall fund the applicable Advance in the manner requested by the Advance Request; provided that each of the conditions precedent to an Advance are satisfied as of the requested Advance Date.

(c) **Interest**. The principal balance of each Advance shall bear interest thereon from such Advance Date at the Term Loan Interest Rate based on a year consisting of 360 days, with interest computed daily based on the actual number of days elapsed. The Term Loan Interest Rate will float and change on the day the prime rate changes from time to time.

(d) **Payment**. Borrower will pay interest on each Advance on the first Business Day of each month, beginning the month after the Advance Date. Borrower shall repay the aggregate Term Loan principal balance that is outstanding on the day immediately preceding the Amortization Date, in equal monthly installments of principal and interest (mortgage style) beginning on the Amortization Date and continuing on the first Business Day of each month thereafter until the Secured Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) are repaid. The entire Term Loan principal balance then outstanding and all accrued but unpaid interest hereunder, shall be due and payable on Term Loan Maturity Date. Borrower shall make all payments under this Agreement without setoff, recoupment or deduction and regardless of any counterclaim or defense. Lender will initiate debit entries to Borrower's account as authorized on the ACH Authorization (i) on each payment date of all periodic obligations payable to Lender under each Advance and (ii) out-of-pocket legal fees and costs incurred by Agent or Lender in connection with Section 11.11; provided that, with respect to clause (i) above, in the event that Lender or Agent informs Borrower that Lender will not initiate a debit entry to Borrower's account for a certain amount of the periodic obligations due on a specific payment date, Borrower shall pay to Lender such amount of periodic obligations in full in immediately available funds on such payment date; provided, further, that, with respect to clause (i) above, if Lender or Agent informs Borrower that Lender will not initiate a debit entry as described above later than the date that is three Business Days prior to such payment date, Borrower shall pay to Lender such amount of periodic obligations in full in immediately available funds on the date that is three Business Days after the date on which Lender or Agent notifies Borrower of such and Borrower's failure to

make such payment on the original scheduled payment date therefor shall not constitute an Event of Default hereunder; provided, further, that, with respect to clause (ii) above, in the event that Lender or Agent informs Borrower that Lender will not initiate a debit entry to Borrower's account for certain amount of such out-of-pocket legal fees and costs incurred by Agent or Lender, Borrower shall pay to Lender such amount in full in immediately available funds within three Business Days and Borrower's failure to make such payment on the original scheduled payment or demand date therefor shall not constitute an Event of Default hereunder.

2.2 **Maximum Interest**. Notwithstanding any provision in this Agreement or any other Loan Document, it is the parties' intent not to contract for, charge or receive interest at a rate that is greater than the maximum rate permissible by law that a court of competent jurisdiction shall deem applicable hereto (which under the laws of the State of New York shall be deemed to be the laws relating to permissible rates of interest on commercial loans) (the "Maximum Rate"). If a court of competent jurisdiction shall finally determine that Borrower has actually paid to Lender an amount of interest in excess of the amount that would have been payable if all of the Secured Obligations had at all times borne interest at the Maximum Rate, then such excess interest actually paid by Borrower shall be applied as follows: first, to the payment of the Secured Obligations consisting of the outstanding principal; second, after all principal is repaid, to the payment of Lender's accrued interest, costs, expenses, professional fees and any other Secured Obligations; and third, after all Secured Obligations are repaid, the excess (if any) shall be refunded to Borrower.

2.3 **Default Interest**. In the event any payment is not paid on the scheduled payment date, an amount equal to five percent of the past due amount shall be payable on demand. In addition, upon the occurrence and during the continuation of an Event of Default hereunder, all Secured Obligations, including principal, interest, compounded interest, and professional fees, shall bear interest at a rate per annum equal to the rate set forth in Section 2.1(c) plus four percent per annum. In the event any interest is not paid when due hereunder, delinquent interest shall be added to principal and shall bear interest on interest, compounded at the rate set forth in Section 2.1(c) or this Section 2.3, as applicable.

2.4 **Prepayment**.

(a) At its option upon at least seven Business Days prior written notice to Agent, Borrower may prepay all, but not less than all, of the outstanding Advances by paying the entire principal balance and all accrued and unpaid interest thereon, together with a prepayment charge equal to the following percentages of the outstanding Advances being prepaid (the "Prepayment Charge"): if the outstanding Advances are prepaid in any of the first 12 months following the Closing Date, 3.0% of such outstanding Advances; if the outstanding Advances are prepaid after 12 months but prior to 24 months following the Closing Date, 2.0% of such outstanding Advances; and if the outstanding Advances are prepaid after 24 months following the Closing Date but prior to the Term Loan Maturity Date, 1.0% of such outstanding Advances.

(b) Borrower agrees that the Prepayment Charge is a reasonable calculation of Lender's lost profits in view of the difficulties and impracticality of determining actual damages resulting from an early repayment of the Advances. Borrower shall prepay the outstanding amount of all principal and accrued interest through the prepayment date and the Prepayment

Charge upon the occurrence of a Change in Control. Notwithstanding the foregoing, Agent and Lender agree to waive the Prepayment Charge if Agent and Lender or, as applicable, an affiliate of thereof (in their sole and absolute discretion) agree in writing to refinance the Advances prior to the Maturity Date.

2.5 **End of Term Charge**. On the earliest to occur of (i) the Term Loan Maturity Date, (ii) the date that Borrower prepays the outstanding Secured Obligations (other than any inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) in full, or (iii) the date that the Secured Obligations become due and payable, Borrower shall pay Lender an amount equal to (x) $1,390,000, plus (y) if Borrower requests and Lender funds the Tranche II Loan, an additional $695,000, and plus (z) if Borrower requests and Lender funds the Tranche III Loan, an additional $695,000. Notwithstanding the required payment date of such charge, it shall be deemed earned by Lender as of the Closing Date in the case of the Tranche I Loan, and on each applicable Advance Date for the Tranche II Loan and Tranche III Loan, as the case may be.

2.6 **Notes**. If so requested by Lender by written notice to Parent, then each Borrower shall execute and deliver to Lender (and/or, if applicable and if so specified in such notice, to any Person who is an assignee of Lender pursuant to Section 11.13) (promptly after Parent's receipt of such notice) a Note or Notes to evidence Lender's Loans.

2.7 **Pro Rata Treatment**. Each payment (including prepayment) on account of principal, interest, any fee and any reduction of the Term Loans shall be made pro rata according to the Term Loan Commitments of the relevant Lender.

SECTION 3. SECURITY INTEREST

3.1 As security for the prompt and complete payment when due (whether on the payment dates or otherwise) of all the Secured Obligations, each Borrower grants to Agent a security interest in all of such Borrower's right, title, and interest in, to and under all of such Borrower's personal property and other assets including without limitation the following (except as set forth herein) whether now owned or hereafter acquired (collectively, the "UCC Collateral"): (a) Receivables; (b) Equipment; (c) Fixtures; (d) General Intangibles; (e) Inventory; (f) Investment Property; (g) Deposit Accounts; (h) Cash; (i) Goods; and all other tangible and intangible personal property of such Borrower whether now or hereafter owned or existing, leased, consigned by or to, or acquired by, such Borrower and wherever located, and any of such Borrower's property in the possession or under the control of Agent; and, to the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of the foregoing**.**

3.2 Notwithstanding the broad grant of the security interest set forth in Section 3.1, above, the Collateral shall not include: (a) the Equity Interests of any Foreign Subsidiaries other than (i) TransEnterix Italia and TransEnterix Europe, (ii) any other Material Foreign Subsidiary that is or becomes a Guarantor and (iii) more than 65% of the Equity Interests of any other Foreign Subsidiary as may be agreed to in writing by Agent in its reasonable discretion; (b) any "intent to use" trademarks at all times prior to the first use thereof, whether by the actual use thereof in commerce, the recording of a statement of use with the United States Patent and Trademark Office or otherwise; provided that upon submission and acceptance by the United States Patent and Trademark Office of an amendment to allege use of an intent-to-use trademark application pursuant to 15 U.S.C. Section 1060(a) (or any successor provision) such intent-to-use application shall constitute Collateral; (c) non-assignable licenses or contracts, which by their terms require the consent of the licensor thereof or another party (but only to the extent such prohibition on transfer is enforceable under applicable law, including, without limitation, Sections 9406, 9407 and 9408 of the UCC); (d) motor vehicles and other equipment subject to a certificate of title statute; and (e) assets subject to a Lien permitted by clause (vii) of the definition of Permitted Liens.

3.3 TransEnterix Europe and TransEnterix Italia have entered into (or pursuant to Section 7.5(b) will enter into) the applicable Guaranty Documents, in each case pursuant to which they shall guarantee Borrower's obligations hereunder and shall grant security interests in, to and under the collateral described therein (such collateral, collectively, the "Foreign Collateral", and with the UCC Collateral, collectively, the "Collateral") in favor of Agent for the benefit of Lender.

SECTION 4. CONDITIONS PRECEDENT TO LOAN

The obligations of Lender to make the Loan hereunder are subject to the satisfaction by Borrower of the following conditions:

4.1 **Initial Advance**. On or prior to the Closing Date, Parent shall have delivered to Agent the following:

(a) the Loan Documents (other than any Loan Documents and legal opinions to be delivered after the Closing Date pursuant to Section 7.5(b)) duly executed by each applicable Loan Party, a legal opinion of Parent's counsel and all other documents and instruments reasonably required by Agent to effectuate the transactions contemplated hereby or to create and perfect the Liens of Agent with respect to all Collateral, in all cases in form and substance reasonably acceptable to Agent;

(b) certified copy of resolutions of each Borrower's respective board of directors evidencing approval of the Loan and the other transactions evidenced by the Loan Documents;

(c) certified copies of the constitutional documents and bylaws (or local law equivalents), as amended and/or amended and restated through the Closing Date, of each Borrower;

(d) (if applicable) a certificate of good standing for each Borrower from its jurisdiction of incorporation and similar certificates from all other jurisdictions in which a Borrower does business and where the failure to be qualified could have a Material Adverse Effect;

(e) payment of the Facility Charge and reimbursement of Agent's and Lender's current expenses reimbursable pursuant to this Agreement, which amounts may be deducted from the initial Advance;

(f) all certificates of insurance for each insurance policy required under this Agreement;

(g) executed payoff letters from Innovatus Life Sciences Lending Fund I, LP, along with reasonable evidence that UCC Financing Statement Amendments have been filed to terminate any prior UCC Financing Statements filed by Innovatus Life Sciences Lending Fund I, LP with respect to any Collateral;

(h) payment of the Due Diligence Fee; and

(i) such other documents as Agent may reasonably request.

4.2 **All Advances**. On the Closing Date and each Advance Date:

(a) Agent shall have received (i) an Advance Request for the relevant Advance as required by Section 2.1(b), duly executed by Parent's Chief Executive Officer or Chief Financial Officer, and (ii) any other documents Agent may reasonably request.

(b) The representations and warranties set forth in this Agreement shall be true and correct in all material respects on and as of the applicable Advance Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) The Loan Parties shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and at the time of and immediately after such Advance no Event of Default shall have occurred and be continuing.

(d) Each Advance Request shall be deemed to constitute a representation and warranty by the Borrowers on the relevant Advance Date as to the matters specified in paragraphs (b) and (c) of this Section 4.2 and as to the matters set forth in the Advance Request.

(e) The Borrowers shall have satisfied any conditions or milestones applicable to such Advance.

4.3 **No Default**. As of the Closing Date and each Advance Date, (i) no fact or condition exists that could (or could, with the passage of time, the giving of notice, or both) constitute an Event of Default and (ii) no event that has had or could reasonably be expected to have a Material Adverse Effect shall have occurred and be continuing.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF BORROWERS

Each Borrower represents and warrants on behalf of itself, each of the other Loan Parties and any other Subsidiaries of a Borrower or any other Loan Party as follows.

5.1 **Corporate Status**. Each Loan Party is a corporation or other entity, as applicable, duly organized, legally existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other entity, as applicable, in all jurisdictions in which the nature of its business or location of its properties require such qualifications and where the failure to be qualified could reasonably be expected to have a Material Adverse Effect. Each Loan Party's present name, former names (if any), locations, place of formation, tax identification number, organizational identification number and other information are correctly set forth in Exhibit C, as may be updated by the Borrowers pursuant to a Compliance Certificate provided to Agent after the Closing Date.

5.2 **Collateral**. The Loan Parties own the Collateral, free of all Liens, except for Permitted Liens. The Loan Parties have the power and authority to grant to Agent a Lien in the Collateral as security for the Secured Obligations.

5.3 **Consents**. Each Loan Party's execution, delivery and performance, as applicable, of this Agreement and all other Loan Documents (i) has been duly authorized by all necessary corporate or other entity, as applicable, action of the applicable Loan Party, (ii) will not result in the creation or imposition of any Lien upon the Collateral, other than Permitted Liens and the Liens created by this Agreement and the other Loan Documents, (iii) does not violate any provisions of any Loan Party's organizational documents and/or certificates or bylaws (as applicable), (iv) does not violate any law, regulation, order, injunction, judgment, decree or writ to which a Loan Party is subject, and (v) does not violate any material contract or material agreement, or require the consent or approval of any other Person which has not already been obtained. The individual or individuals executing the Loan Documents are duly authorized to do so.

5.4 **Material Adverse Effect**. No event that has had or would reasonably be expected to have a Material Adverse Effect has occurred and is continuing. No Loan Party is aware of any event likely to occur that is reasonably expected to result in a Material Adverse Effect.

5.5 **Actions Before Governmental Authorities**. There are no actions, suits or proceedings at law or in equity or by or before any governmental authority now pending or, to the knowledge of the Loan Parties, threatened against or affecting the Loan Parties, any of their Subsidiaries or their respective property, that is reasonably expected to result in a Material Adverse Effect.

5.6 **Laws**. Neither any Loan Party nor any of its Subsidiaries is in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any governmental authority, where such violation or default is reasonably expected to result in a Material Adverse Effect. No Loan Party is in default (beyond any notice or grace period) in any material manner under any provision of any material agreement or instrument evidencing material Indebtedness, or any other material agreement to which it is a party or by which it is bound.

Neither any Loan Party nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Neither any Loan Party nor any of its Subsidiaries is engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Each Loan Party and each of its Subsidiaries has complied in all material respects with the Federal Fair Labor Standards Act. Neither any Loan Party nor any of its Subsidiaries is a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. Neither any Loan Party's nor any of its Subsidiaries' properties or assets has been used by such Loan Party or such Subsidiary or, to the knowledge of the Loan Parties, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than in material compliance with applicable laws. The Loan Parties and each of their Subsidiaries has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

None of the Loan Parties, any of their Subsidiaries, or any Loan Party's or its Subsidiaries' Affiliates or any of their respective agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement is (i) in violation of any Anti-Terrorism Law applicable to it, (ii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law applicable to it, or (iii) is a Blocked Person. None of the Loan Parties, any of their Subsidiaries, or to the knowledge of the Loan Parties, any of their Affiliates or agents, acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement, (x) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (y) deals in, or otherwise engages in any transaction relating to, any property or interest in property blocked pursuant to Executive Order No. 13224, any similar executive order or other Anti-Terrorism Law applicable to it. None of the funds to be provided under this Agreement will be used, directly or indirectly, (a) for any activities in violation of any applicable anti-money laundering, economic sanctions and anti-bribery laws and regulations laws and regulations or (b) for any payment to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

5.7 **Information Correct and Current**. No written information, report, Advance Request, financial statement, exhibit or schedule furnished, by or on behalf of any Loan Party to Agent in connection with any Loan Document or included therein or delivered pursuant thereto contained, or, when taken as a whole, contains or will contain any material misstatement of fact or, when taken together with all other such information or documents, omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not materially misleading at the time such statement was made or deemed made. Additionally, any and all financial or business

projections provided by a Loan Party to Agent, whether prior to or after the Closing Date, shall be (i) provided in good faith and based on the then most current data and information available to the Loan Parties, and (ii) the then most current projections provided to Parent's Board of Directors.

5.8 **Tax Matters**. Except as described on Schedule 5.8 and except those being contested in good faith with adequate reserves under GAAP, (a) the Loan Parties and each of their Subsidiaries has filed all material federal, state and local tax returns that it is required to file, (b) the Loan Parties and each of their Subsidiaries has duly paid or fully reserved for all taxes or installments thereof (including any interest or penalties) as and when due, which have or may become due pursuant to such returns, and (c) the Loan Parties and each of their Subsidiaries has paid or fully reserved for any material tax assessment received by the Loan Parties or any of their Subsidiaries for the three years preceding the Closing Date, if any (including any taxes being contested in good faith and by appropriate proceedings).

5.9 **Intellectual Property Claims.** Each Loan Party or its applicable Subsidiary is the sole owner of, or otherwise has the right to use, the Intellectual Property material to such Loan Party's and each such Subsidiary's business. Except as described on Schedule 5.9, (i) each of the material Copyrights, Trademarks and Patents is valid and enforceable, (ii) no material part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and (iii) no claim has been made to any Loan Party or any Subsidiary that any material part of the Intellectual Property violates the rights of any third party. Exhibit D is a true, correct and complete list of each Loan Party's and each of its Subsidiary's Patents, registered Trademarks, registered Copyrights, and agreements under which any Loan Party or any of its Subsidiaries licenses Intellectual Property that is material to the Loan Parties and their Subsidiaries' business from third parties (other than shrink-wrap software licenses), together with application or registration numbers, as applicable, owned by a Loan Party or any of its Subsidiaries, in each case as of the Closing Date. Neither any Loan Party nor any Subsidiary thereof is in material breach of, nor has any Loan Party or any Subsidiary thereof failed to perform any material obligations under, any of the foregoing contracts, licenses or agreements and, to the knowledge of the Loan Parties, no third party to any such contract, license or agreement is in material breach thereof or has failed to perform any material obligations thereunder.

5.10 **Intellectual Property**. Except as described on Schedule 5.10, the Loan Parties and each Subsidiary thereof have all material rights with respect to Intellectual Property necessary or material in the operation or conduct of the Loan Parties' and each of their Subsidiary's business as currently, and as proposed to be, conducted by the Loan Parties and their Subsidiaries. Without limiting the generality of the foregoing, except as set forth on Schedule 5.10, each Loan Party and each Subsidiary thereof have the right to freely transfer, license or assign Intellectual Property necessary or material in the operation or conduct of the Loan Parties' and their Subsidiaries' businesses as currently, and as proposed to be, conducted by the Loan Parties' and their Subsidiaries, without condition, restriction or payment of any kind (other than license payments in the ordinary course of business) to any third party, and the Loan Parties and each Subsidiary thereof own or have the right to use, pursuant to valid licenses, all software development tools, library functions, compilers and all other third-party software and

other items that are material to the Loan Parties' and their Subsidiaries' businesses and used in the design, development, promotion, sale, license, manufacture, import, export, use or distribution of Borrower Products except customary covenants in inbound license agreements and equipment leases where any Loan Party or any Subsidiary thereof is the licensee or lessee.

5.11 **Borrower Products**. Except as described on Schedule 5.11, no Intellectual Property owned by any of the Loan Parties or any Subsidiary thereof or any Borrower Product has been or is subject to any actual or, to the knowledge of the Loan Parties, threatened litigation, proceeding (including any proceeding in the United States Patent and Trademark Office or any corresponding foreign office or agency) or outstanding decree, order, judgment, settlement agreement or stipulation that restricts in any manner any Loan Parties or any of its Subsidiary's use, transfer or licensing thereof or that may affect the validity, use or enforceability thereof. There is no decree, order, judgment, agreement, stipulation, arbitral award or other provision entered into in connection with any litigation or proceeding that obligates a Loan Party or any Subsidiary thereof to grant licenses or ownership interest in any future Intellectual Property that is necessary or material in the operation or conduct of the business of the Loan Parties and their Subsidiaries or Borrower Products. None of the Loan Parties nor any of their Subsidiaries has received any written notice or claim, or, to the knowledge of the Loan Parties, oral notice or claim, challenging or questioning any Loan Party's or any of its Subsidiary's ownership in any Intellectual Property that is necessary or material in the operation or conduct of the business of the Loan Parties and their Subsidiaries (or written notice of any claim challenging or questioning the ownership in any licensed Intellectual Property that is necessary or material in the operation or conduct of the business of the Loan Parties and their Subsidiaries of the owner thereof) or suggesting that any third party has any claim of legal or beneficial ownership with respect thereto nor, to the knowledge of the Loan Parties, is there a reasonable basis for any such claim. Neither any Loan Party's or any of its Subsidiary's use of its Intellectual Property that is necessary or material to the conduct of the business of the Loan Parties and their Subsidiaries nor the production and sale of Borrower Products infringes the Intellectual Property rights of others.

5.12 **Financial Accounts**. Exhibit E, as may be updated by Borrowers in a Compliance Certificate provided to Agent after the Closing Date, is a true, correct and complete list of (a) all banks and other financial institutions at which any Loan Party or Subsidiary thereof maintains Deposit Accounts and (b) all institutions at which a Loan Party or any Subsidiary thereof maintains an account holding Investment Property, and such exhibit correctly identifies the name, address and telephone number of each bank or other institution, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

5.13 **Employee Loans**. Except for Permitted Investments, no Loan Party has any outstanding loans to any employee, officer or director of a Loan Party, nor has any Loan Party guaranteed the payment of any loan made to an employee, officer or director of a Loan Party by a third party.

5.14 **Capitalization and Subsidiaries**. Each Loan Party's (other than the Parent's) capitalization as of the Closing Date is set forth on Schedule 5.14 annexed hereto. No

Loan Party owns any stock, partnership interest or other securities of any Person, except for Permitted Investments. Attached as Schedule 5.14, as may be updated by Borrowers in a Compliance Certificate provided after the Closing Date, is a true, correct and complete list of each Subsidiary.

5.15 **Foreign Subsidiary Voting Rights**. No decision or action in any governing document of any Foreign Subsidiary requires a vote of greater than 50.1% of the Equity Interests or voting rights of such Foreign Subsidiary.

SECTION 6. INSURANCE; INDEMNIFICATION

6.1 **Coverage**. The Loan Parties shall cause to be carried and maintained commercial general liability insurance, on an occurrence form, against risks customarily insured against in the Loan Parties' line of business. Such risks shall include the risks of bodily injury, including death, property damage, personal injury, advertising injury, and contractual liability per the terms of the indemnification agreement found in Section 6.3. Parent must maintain a minimum of [**********] of commercial general liability insurance for each occurrence. Parent has and agrees to maintain a minimum of [**********] of directors' and officers' insurance for each occurrence and [**********] in the aggregate. So long as there are any Secured Obligations outstanding, Borrowers shall also cause to be carried and maintained insurance upon the Collateral, insuring against all risks of physical loss or damage howsoever caused, in an amount not less than the full replacement cost of the Collateral; provided that such insurance may be subject to standard exceptions and deductibles.

6.2 **Certificates**. Borrower shall deliver to Agent certificates of insurance that evidence Borrower's compliance with its insurance obligations in Section 6.1 and the obligations contained in this Section 6.2. Borrower's insurance certificate shall state Agent (shown as "Hercules Capital, Inc.," as "Agent") is an additional insured for commercial general liability, a loss payee for all risk property damage insurance, subject to the insurer's approval, and a loss payee for property insurance and additional insured for liability insurance for any future insurance that Borrower may acquire from such insurer. Attached to the certificates of insurance will be additional insured endorsements for liability and lender's loss payable endorsements for all risk property damage insurance. All certificates of insurance will provide for a minimum of 30 days advance written notice to Agent of cancellation (other than cancellation for non-payment of premiums, for which 10 days' advance written notice shall be sufficient) or any other change adverse to Agent's interests. Any failure of Agent to scrutinize such insurance certificates for compliance is not a waiver of any of Agent's rights, all of which are reserved. If requested by Agent, Borrower shall provide Agent within a reasonable time after such request with copies of each insurance policy, and upon entering or amending any insurance policy required hereunder, Borrower shall provide Agent with copies of such policies and shall promptly deliver to Agent updated insurance certificates with respect to such policies.

6.3 **Indemnity**. Each Borrower agrees to indemnify and hold Agent, Lender and their officers, directors, employees, agents, in-house attorneys, representatives and shareholders (each, an "Indemnified Person") harmless from and against any and all claims, costs, expenses, damages and liabilities (including such claims, costs, expenses, damages and liabilities based on liability in tort, including strict liability in tort), including reasonable and documented attorneys' fees and disbursements and other costs of investigation or defense (including those incurred upon any appeal) (collectively, "Liabilities"), that may be instituted or asserted against or incurred by such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents or the administration of such credit, or in connection with or arising out of the transactions contemplated hereunder and thereunder, or any actions or failures to act in connection therewith, or arising out of the disposition or utilization of the Collateral, excluding in all cases Liabilities to the extent resulting solely from any Indemnified Person's gross negligence or willful misconduct. Each Borrower agrees to pay, and to save Agent and Lender harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other similar taxes (excluding taxes imposed on or measured by the net income of Agent or Lender) that may be payable or determined to be payable with respect to any of the Collateral or this Agreement. In no event shall any Indemnified Person nor any Borrower be liable on any theory of liability for any special, indirect, consequential or punitive damages (including any loss of profits, business or anticipated savings). This Section 6.3 shall survive the repayment of indebtedness under, and otherwise shall survive the expiration or other termination of, the Loan Agreement.

SECTION 7. COVENANTS OF THE LOAN PARTIES

Each Borrower agrees as follows, and each Borrower agrees to cause the other Loan Parties and any other Subsidiaries of the Loan Parties to comply with the following as if such other Persons were direct parties to this Agreement.

7.1 **Financial Reports**. Parent shall furnish to Agent the financial statements and reports listed hereinafter (the "Financial Statements"), and the Borrowers shall furnish the other information and reports listed hereinafter:

(a) as soon as practicable (and in any event within 30 days) after the end of each month, unaudited interim and year-to-date financial statements as of the end of such month (prepared on a consolidated), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material contingencies (including the commencement of any material litigation by or against a Loan Party) or any other occurrence that could reasonably be expected to have a Material Adverse Effect, all certified by Parent's Chief Executive Officer or Chief Financial Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, (ii) that they are subject to normal year-end adjustments, and (iii) they do not contain certain non-cash items that are customarily included in quarterly and annual financial statements;

(b) as soon as practicable (and in any event within 45 days) after the end of each calendar quarter, unaudited interim and year-to-date financial statements as of the end of such calendar quarter (prepared on a consolidated), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material contingencies (including the commencement of any material litigation by or against a Loan Party) or any other occurrence that could reasonably be expected to have a Material Adverse Effect, certified by Parent's Chief Executive Officer or Chief Financial Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, and (ii) that they are subject to normal year-end adjustments;

(c) as soon as practicable (and in any event within 90 days) after the end of each fiscal year, unqualified audited financial statements as of the end of such year (prepared on a consolidated and consolidating basis, if applicable), including balance sheet and related statements of income and cash flows, and setting forth in comparative form the corresponding figures for the preceding fiscal year, certified by a firm of independent certified public accountants selected by Parent and reasonably acceptable to Agent, accompanied by any management report from such accountants;

(d) together with the monthly financial statements that are required to be delivered pursuant to Section 7.1(a), a Compliance Certificate in the form of Exhibit F;

(e) concurrently with the delivery of the monthly Compliance Certificate pursuant to Section 7.1(d), a report showing agings of accounts receivable and accounts payable in respect of the month for which such Compliance Certificate was delivered;

(f) within five days after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports that Parent has made available to holders of its Equity Interests and copies of any regular, periodic and special reports or registration statements that Parent files with the Securities and Exchange Commission or any governmental authority that may be substituted therefor, or any national securities exchange;

(g) at the same time and in the same manner as it gives to its directors, copies of all notices, minutes, consents and other materials that Parent provides to its directors in connection with meetings of the Board of Directors; provided that, in all cases, Parent may exclude confidential compensation information, trade secrets, competitively sensitive information and any other information that Parent reasonably determines should be excluded in order to maintain attorney-client privilege, the confidentiality of such information or as required to comply with applicable laws;

(h) promptly after their approval by the Board of Directors, and in any event, within 30 days following the end of Parent's fiscal year, a budget for the fiscal year immediately following such fiscal year end as approved by the Board of Directors, as well as financial and business projections, operating plans and other financial information reasonably requested by Agent; and

(i) prompt notice if any Loan Party or any Subsidiary thereof has knowledge that any Loan Party, or any Subsidiary or Affiliate of any Loan Party, is listed on the OFAC Lists

or (a) is convicted on, (b) pleads *nolo contendere* to, (c) is indicted on, or (d) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering.

Parent shall not (without the consent of Agent, such consent not to be unreasonably withheld or delayed), make any change in its, any other Loan Party's (a) accounting policies or reporting practices, except as required by GAAP or (b) fiscal years or fiscal quarters. The fiscal year of Parent shall end on December 31.

The executed Compliance Certificate may be sent via email to Agent at legal@herculestech.com. All Financial Statements required to be delivered pursuant to clauses (a), (b) and (c) shall be sent via e-mail to financialstatements@herculestech.com with a copy to legal@herculestech.com provided, that if e-mail is not available or sending such Financial Statements via e-mail is not possible, they shall be faxed to Agent at: (650) 473-9194, attention Account Manager: TransEnterix, Inc.

Notwithstanding the foregoing, documents required to be delivered under Sections 7.1(a), (b), (c) or (f), to the extent any such documents are included in materials otherwise filed by Parent with the U.S. Securities and Exchange Commission, may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Parent emails a link thereto to Agent; provided that Parent shall directly provide Agent all Financial Statements required to be delivered pursuant to Section 7.1(a).

7.2 **Management Rights**. The Loan Parties shall permit any representative that Agent or Lender authorizes, including its attorneys and accountants, to inspect the Collateral and examine and make copies and abstracts of the books of account and records of the Loan Parties at reasonable times and upon reasonable notice during normal business hours; provided, however, that so long as no Event of Default has occurred and is continuing, such examinations shall be limited to no more often than once per fiscal year. In addition, any such representative shall have the right to meet with senior management and senior officers of the Loan Parties to discuss such books of account and records. In addition, Agent or Lender shall be entitled upon five days' prior written notice, at reasonable times (during normal business hours) and intervals to consult with and advise the senior management and senior officers of the Loan Parties concerning significant business issues affecting the Loan Parties. Such consultations shall not unreasonably interfere with the Loan Parties' business operations. The parties intend that the rights granted Agent and Lender shall constitute "management rights" within the meaning of 29 C.F.R. Section 2510.3-101(d)(3)(ii), but that any advice, recommendations or participation by Agent or Lender with respect to any business issues shall not be deemed to give Agent or Lender, nor be deemed an exercise by Agent or Lender of, control over any Loan Party's management or policies.

7.3 **Further Assurances**. The Loan Parties shall from time to time execute, deliver and file, alone or with Agent, any financing statements, security agreements, collateral assignments, notices, control agreements, or other documents to perfect or give the highest priority to Agent's Lien on the Collateral. The Loan Parties shall from time to time procure any instruments or documents as may be reasonably requested by Agent, and take all further action that may be necessary, or that Agent may reasonably request, to perfect and protect the Liens granted hereby and thereby. In addition, and for such purposes only, Borrower hereby authorizes

Agent to execute and deliver on behalf of Borrower and to file such financing statements (including an indication that the financing statement covers "all assets or all personal property" of Borrower in accordance with Section 9-504 of the UCC), collateral assignments, notices, control agreements, security agreements and other documents without the signature of Borrower either in Agent's name or in the name of Agent as agent and attorney-in-fact for Borrower. The Loan Parties shall protect and defend their title to the Collateral and Agent's Lien thereon against all Persons claiming any interest adverse to any Loan Party or Agent, other than Permitted Liens.

7.4 **Indebtedness**. The Loan Parties shall not create, incur, assume, guarantee or be or remain liable with respect to any Indebtedness, or permit any Subsidiary so to do, other than Permitted Indebtedness, or prepay any Indebtedness or take any actions which impose on the Loan Parties an obligation to prepay any Indebtedness, except for (a) the conversion of Indebtedness into equity securities and the payment of Cash in lieu of fractional shares in connection with such conversion, (b) (i) purchase money Indebtedness pursuant to its then applicable payment schedule or (ii) Indebtedness owed under corporate credit cards to the extent constituting Permitted Indebtedness and prepaid in the ordinary course of business, (c) prepayment by any Subsidiary of (i) inter-company Indebtedness owed by such Subsidiary to any Loan Party, or (ii) if such Subsidiary is not a Loan Party, intercompany Indebtedness owed by such Subsidiary to another Subsidiary that is not a Loan Party, or (d) as otherwise permitted hereunder or approved in writing by Agent.

7.5 **Collateral**.

(a) The Loan Parties shall at all times keep the Collateral and all other property and assets used in their business or in which a Loan Party now or hereafter holds any interest free and clear from any Liens whatsoever (except for Permitted Liens), and the Loan Parties shall give Agent prompt written notice of any legal process affecting Collateral, such other property and assets, in each case, having a value in excess of [**********] individually or [************] in the aggregate. Each Loan Party shall cause its Subsidiaries to protect and defend such Subsidiary's title to its assets from and against all Persons claiming any interest adverse to such Subsidiary, except those Persons holding Permitted Liens, and the Loan Parties shall cause their Subsidiaries at all times to keep such Subsidiary's property and assets free and clear from any Liens whatsoever (except for Permitted Liens), and shall give Agent prompt written notice of any legal process affecting such Subsidiary's assets having a value in excess of [***********] individually or [************] in the aggregate. The Loan Parties shall not agree with any Person other than Agent or Lender not to encumber any of their property, other than (a) customary restrictions and conditions contained in any agreement relating to the sale of property permitted under Section 7.8, (b) any agreements governing any Permitted Indebtedness or any other agreement governing any Permitted Lien, (c) customary provisions restricting assignment of any licensing agreement in the ordinary course of business (in which a Loan Party or its Subsidiaries are the licensee), including the EU/Vulcanos License Agreement and the Surgibot License Agreement and (e) customary provisions restricting subletting, sublicensing or assignment of any lease governing any leasehold interests of a Loan Party.

(b) Within 30 days following the Closing Date, the Guarantors shall deliver to Agent (i) fully executed Guaranty Documents for each Guarantor; (ii) a legal opinion from

each Guarantor's legal counsel, in form and substance reasonably acceptable to Agent; (iii) as applicable, the deliverables required for the Borrowers under Sections 4.1(b), (c) and (d); and such other certificates with respect to the Guaranty Documents as Agent may reasonably request.

(c) Within 60 days following the Closing Date, the Loan Parties shall deliver to Agent fully executed landlord consents and waivers and bailee waivers (all in form and substance reasonably acceptable to Agent) for each of location listed on Exhibit C under the heading "Required Consents and Waivers."

7.6 **Investments**. The Loan Parties shall not directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of their Subsidiaries to do so, other than Permitted Investments.

7.7 **Distributions**. The Loan Parties shall not, and shall not allow any other Subsidiaries to, (a) repurchase or redeem any class of stock or other Equity Interest other than pursuant to employee, director or consultant repurchase plans or other similar agreements and not to exceed [********] per year in the aggregate, or (b) declare or pay any cash dividend or make a cash distribution on any class of stock or other Equity Interest, except that a Subsidiary (including through another Subsidiary) may pay dividends or make distributions to a Loan Party, or (c) waive, release or forgive any Indebtedness owed by any employees, officers or directors in excess of [********] in the aggregate. Borrowers shall cause the Guarantors and the Immaterial Foreign Subsidiaries to make regular dividends and/or distributions, directly or indirectly, to Borrowers, in all cases consistent with past practices and in accordance with budgets and operating plans approved by Parent's Board of Directors; and Borrowers shall not permit any Guarantors or Immaterial Foreign Subsidiaries to hold any cash or assets that would materially exceed such levels required for the operation of any such Guarantor's or Immaterial Foreign Subsidiary's business, in all cases consistent with past practices and in accordance with budgets and operating plans approved by Parent's Board of Directors.

7.8 **Transfers**. Except for Permitted Transfers, the Loan Parties shall not, and shall not allow any other Subsidiary to, voluntarily or involuntarily transfer, sell, lease, license, lend or in any other manner convey any equitable, beneficial or legal interest in any material portion of its assets; provided, however, (a) all Permitted Transfers shall be subject to the limitations set forth in the definition of Permitted Investments, as applicable, and (b) and at no time shall any transfer, sale, lease, license or other conveyance result the Immaterial Foreign Subsidiaries collectively owning or holding assets in excess of 15% of the aggregate amount of all assets of Parent and its Subsidiaries on a consolidated basis.

7.9 **Mergers or Acquisitions**. The Loan Parties shall not merge or consolidate, or permit any other Subsidiary to (i) merge or consolidate, with or into any other business organization (other than mergers or consolidations of (a) a Guarantor or an Immaterial Foreign Subsidiary into a Borrower, (b) a Borrower into another Borrower, (c) a Guarantor into another Guarantor (so long as the surviving entity is in compliance with the terms of this Agreement and the Guaranty Documents) or (d) an Immaterial Foreign Subsidiary into another Immaterial Foreign Subsidiary; provided that, in each case, the Parent shall deliver prompt written notice thereof to Agent); or (ii) acquire, or permit any of their respective Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person, other than in connection with a Permitted Transfer.

7.10 **Taxes**. Each Loan Party and its Subsidiaries shall pay when due all material taxes, fees or other charges of any nature whatsoever (together with any related interest or penalties) now or hereafter imposed or assessed against such Loan Party or any of its Subsidiaries, Agent, Lender or the Collateral or upon such Loan Party's or any of its Subsidiaries' ownership, possession, use, operation or disposition thereof or upon such Loan Party's or any of its Subsidiaries' rents, receipts or earnings arising therefrom. Each Loan Party file on or before the due date therefor all personal property tax returns in respect of the Collateral. Notwithstanding the foregoing, the Loan Parties may contest, in good faith and by appropriate proceedings, taxes for which a Loan Party maintains adequate reserves therefor in accordance with GAAP.

7.11 **Corporate Changes**. No Loan Party shall change its respective corporate name, legal form or jurisdiction of formation without 30 days' prior written notice to Agent. Neither any Loan Party nor any Subsidiary thereof shall suffer a Change in Control. Neither any Loan Party nor any Subsidiary thereof shall relocate its chief executive office or its principal place of business unless: (i) it has provided prior written notice to Agent; and (ii) such relocation shall be within the continental United States of America, in the case of a Borrower or any Domestic Subsidiary, and such other jurisdiction as permitted by Agent (acting reasonably), in the case of a Foreign Subsidiary. Neither any Loan Party nor any Subsidiary thereof shall relocate any item of Collateral (other than (x) sales of Inventory or Inventory provided to potential customers on a trial basis, in each case, in the ordinary course of business, (y) relocations of Equipment having an aggregate value of up to [********] in any fiscal year, and (z) relocations of Collateral from a location described on Exhibit C to another location described on Exhibit C) unless (i) it has provided prompt written notice to Agent, (ii) such relocation is within the continental United States of America, in the case of a Borrower or any Domestic Subsidiary, and such other jurisdiction as permitted by Agent (acting reasonably), in the case of a Foreign Subsidiary; and (iii) if such relocation is to a third party bailee, it has delivered a bailee agreement in form and substance reasonably acceptable to Agent.

7.12 **Deposit Accounts**.

(a) None of the Borrowers shall maintain any Deposit Accounts, or accounts holding Investment Property, except (i) with respect to which Agent has an Account Control Agreement or (ii) Excluded Accounts.

(b) None of the Guarantors shall maintain any Deposit Accounts, or accounts holding Investment Property, except (i) with respect to which Agent has received a pledge agreement or similar agreement or arrangement as a result of which Agent shall have a perfected first lien security interest therein, all in form and substance acceptable to Agent or (ii) Excluded Accounts.

(c) No Immaterial Foreign Subsidiary shall maintain any Deposit Accounts, or accounts holding Investment Property (other than Excluded Accounts), in excess of [********], and the aggregate amount that all Immaterial Foreign Subsidiaries may maintain in Deposit Accounts, or accounts holding Investment Property, shall not exceed [*********]; provided, however, if the Immaterial Foreign Subsidiaries exceed (or any Immaterial Subsidiary exceeds) the foregoing limitation as a result of their (or its) receipt of Cash from the collection of customer accounts receivables or otherwise, it will not be deemed a breach of the foregoing covenant so long as the applicable Immaterial Foreign Subsidiaries make necessary dividends or distributions to a Borrower or Guarantor within 30 days after the date on which such Cash was received.

(d) So long as any Secured Obligations are outstanding, Borrowers shall maintain in Deposit Account(s) subject to Account Control Agreement(s) an amount of unrestricted Cash or Investment Property equal to the lesser of: (i) (x) 120% of the then-outstanding principal balance of the Term Loans, accrued interest thereon and any other fees expressly required to be paid under this Agreement to the extent accrued and payable plus (y) an amount equal to the then-outstanding balance of Parent's accounts payable (on a consolidated basis and as determined in accordance with GAAP) that are more than 90 days past due; and (ii) 80% of the Cash of all Loan Parties and their Subsidiaries on a consolidated basis. Parent shall provide Agent with such information as Agent may reasonably require in connection with its testing of the requirements under this Section 7.12(d).

7.13 **Subsidiaries**. Parent shall notify Agent of each Subsidiary (including any Subsidiary of another Loan Party or any direct or indirect subsidiaries thereof) formed subsequent to the Closing Date, and (within 15 days after formation of such Subsidiary or such later date agreed to in writing by Agent) Borrowers shall (or shall cause the other Loan Parties to) (a) cause (i) any such Subsidiary that is a Domestic Subsidiary to execute and deliver to Agent a Joinder Agreement and (ii) any such Subsidiary that is a Material Foreign Subsidiary to become a Guarantor and to execute and deliver to Agent all related Guaranty Documents, and (b) grant and pledge to the Agent a perfected security interest in the shares of each such new Domestic Subsidiary or Material Foreign Subsidiary.

7.14 **Notification of Event of Default**. Parent shall notify Agent immediately of the occurrence of any Event of Default.

7.15 **Use of Proceeds**. Each Borrower agrees that the proceeds of the Loans shall be used solely (a) to refinance existing indebtedness, (b) to pay related fees and expenses in connection with this Agreement and (c) for working capital and general corporate purposes. The proceeds of the Loans will not be used in violation of Anti-Corruption Laws or applicable Sanctions.

7.16 **Foreign Subsidiary Voting Rights**. The Loan Parties shall not, and shall not permit any Subsidiary, to amend or modify any governing document of any Foreign Subsidiary of a Loan Party the effect of which is to require a vote of greater than 50.1% of the Equity Interests or voting rights of such entity for any decision or action of such entity.

7.17 **Compliance with Laws**.

The Loan Parties shall maintain, and shall cause their Subsidiaries to maintain, compliance with all applicable laws, rules or regulations (including any law, rule or regulation with respect to the making or brokering of loans or financial accommodations), except where the failure to so comply could not reasonably be expected to result in a Material Adverse Effect, and shall, or cause their direct and indirect Subsidiaries to, obtain and maintain all required governmental authorizations, approvals, licenses, franchises, permits or registrations reasonably necessary in connection with the conduct of the Loan Parties' business.

Neither any Loan Party nor any of its Subsidiaries shall, nor shall any Loan Party or any of its Subsidiaries permit any Affiliate to, directly or indirectly, knowingly enter into any documents, instruments, agreements or contracts with any Person listed on the OFAC Lists. Neither any Loan Party nor any of its Subsidiaries shall, nor shall any Loan Party or any of its Subsidiaries, permit any Affiliate to, directly or indirectly, (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including, without limitation, the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224 or any similar executive order or other Anti-Terrorism Law applicable thereto, or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or other Anti-Terrorism Law applicable thereto.

The Loan Parties have implemented and maintain in effect policies and procedures designed to ensure compliance by them and their Subsidiaries and their respective directors, officers, employees and agents with applicable Anti-Corruption Laws and applicable Sanctions, and the Loan Parties and their Subsidiaries and their respective officers and employees and to the knowledge of the Loan Parties and their directors and agents, are in compliance with applicable Anti-Corruption Laws and applicable Sanctions in all material respects.

None of the Loan Parties, any of their Subsidiaries or any of their respective directors, officers or employees, or to the knowledge of the Loan Parties, any agent for the Loan Parties or their Subsidiaries that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Loan, use of proceeds or other transaction contemplated by this Agreement will violate applicable Anti-Corruption Laws or applicable Sanctions.

7.18 **Intellectual Property**. Each Loan Party and each Subsidiary shall (a) protect, defend and maintain the validity and enforceability of its Intellectual Property that is necessary and material in the operation and conduct of the business of the Loan Parties and their Subsidiaries; (b) promptly advise Agent in writing of material infringements of its Intellectual Property that is necessary and material in the operation and conduct of the business; and (c) not allow any Intellectual Property that is necessary and material to the business of the Loan Parties and their Subsidiaries to be abandoned, forfeited or dedicated to the public without Agent's written consent. If a Loan Party thereof (i) obtains any Patent, registered Trademark, registered Copyright, registered mask work, or any pending application for any of the foregoing, whether as owner, licensee or otherwise, or (ii) applies for any Patent or the registration of any Trademark, then Parent shall immediately provide written notice thereof to Agent and, subject to any applicable qualifications under Section 3.2, shall execute such intellectual property security agreements and other documents and take such other actions as Agent may reasonably request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of Agent in such property. If a Loan Party thereof decides to register any Copyrights or mask works in the United States Copyright Office, the Loan Parties shall (x) provide Agent with at least 5 days prior written notice of such intent to register such Copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) subject to any applicable qualifications under Section 3.2, execute an intellectual property security agreement and such other documents and take such other actions as Agent may request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of Agent in the Copyrights or mask works intended to be registered with the United States Copyright Office; and (z) subject to any applicable qualifications under Section 3.2, record such intellectual property security agreement with the United States Copyright Office contemporaneously with filing the Copyright or mask work application(s) with the United States Copyright Office. The Loan Parties shall promptly provide to Agent copies of all applications that it files for Patents or for the registration of Trademarks, Copyrights or mask works, if applicable, together with evidence of the recording of the intellectual property security agreement required for Agent to perfect and maintain a first priority perfected security interest in such property.

7.19 **Transactions with Affiliates**. The Loan Parties shall not and shall not permit any Subsidiary to, directly or indirectly, enter into or permit to exist any transaction of any kind with any Affiliate of any Loan Party or any such Subsidiary on terms that are less favorable to any such Loan Party or Subsidiary, as the case may be, than those that might be obtained in an arm's length transaction from a Person who is not an Affiliate of any such Loan Party or Subsidiary.

7.20 **SOFAR/Vulcanos Interest Purchase Agreement**.

(a) So long as there are any Secured Obligations outstanding (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement), no Loan Party shall (a) permit or cause to be paid in Cash all or any part of the SOFAR Third Tranche without Agent's prior written consent or (b) suffer or permit any modification, amendment and/or restatement of all or any part of the SOFAR/Vulcanos Interest Purchase Agreement, other than any (i) modification or amendment

(x) resulting in any delay in or deferral of any required payments or (y) providing for any amounts due to be paid in Parent's Equity Interests in lieu of Cash payments, or (ii) immaterial modification or amendment not otherwise impacting the SOFAR Third Tranche.

(b) Section 7.20(a) notwithstanding, Borrowers may pay the SOFAR Third Tranche in Cash without Agent's prior written consent only if each of the following conditions are satisfied (and no such payment of the SOFAR Third Tranche shall be made until the satisfaction of each condition): (i) Parent shall have recognized, on a consolidated basis, trailing Net Revenue over a period of a calendar quarter of at least [**********] (as verified by Agent acting reasonably) and (ii) Parent shall have
[********
****
****
****
**********].**

(c) Parent confirms that the SOFAR Lien was terminated on or about September 18, 2017.

7.21 **Financial Covenant**.

(a) Beginning with the month ending [**********] and for each month ending thereafter, Net Revenue for the trailing six-month period ending on each such date shall equal at least [***] of the Projected Net Revenue for such applicable six-month period. Parent shall provide Agent with such information as Agent may reasonably require in connection with its testing of this financial covenant.

(b) For purposes of this Section 7.21, "Projected Net Revenue" means the Net Revenue projected by Parent for the applicable periods as set forth in the operating plan delivered to and accepted by Agent on or before the Closing Date, as such operating plan may be updated from time to time with the approval of Parent's Board of Directors and Agent.

SECTION 8. RIGHT TO INVEST

Lender or its assignee or nominee shall have the right, in its discretion, to participate in any Subsequent Financing in an amount of up to $2,000,000 on the same terms, conditions and pricing afforded to others participating in any such Subsequent Financing. This Section 8, and all rights and obligations hereunder, shall survive the repayment of indebtedness under, and otherwise shall survive the expiration or other termination of, the Loan Agreement.

SECTION 9. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall be an event of default ("Event of Default") under this Agreement:

9.1 **Payments**. Any Loan Party fails to pay any amount due under this Agreement or any of the other Loan Documents on the due date; provided, however, that an

Event of Default shall not occur on account of a failure to pay due solely to an administrative or operational error of Agent or Lender or the applicable Borrower's bank if such Loan Party had the funds to make the payment when due and makes the payment within three Business Days following any Borrower's knowledge of such failure to pay; or

9.2 **Covenants**. Any Loan Party breaches or defaults in the performance of, as applicable, any covenant or Secured Obligation under this Agreement, any of the other Loan Documents or any other agreement among any Loan Party, Agent and Lender, and (a) with respect to a default under any covenant under this Agreement (other than under Sections 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.14, 7.20 and 7.21), any other Loan Document or any other agreement among any Loan Party, Agent and Lender, such default continues for more than 15 days after the earlier of the date on which (i) Agent or Lender has given notice of such default to the Loan Parties and (ii) any Loan Party has actual knowledge of such default or (b) with respect to a default under any of Sections 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.14, 7.20 and 7.21 the occurrence of such default; or

9.3 **Material Adverse Effect**. An event or circumstance has occurred that has or could reasonably be expected to have a Material Adverse Effect; or

9.4 **Representations**. Any representation or warranty made by any Loan Party in any Loan Document shall have been false or misleading in any material respect when made or when deemed made; or

9.5 **Insolvency**. Any Loan Party (A) (i) shall make an assignment for the benefit of creditors; or (ii) shall be unable to pay its debts as they become due, or be unable to pay or perform under the Loan Documents, or shall become insolvent; or (iii) shall file a voluntary petition in bankruptcy; or (iv) shall file any petition, answer, or document seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation pertinent to such circumstances; or (v) shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of any Loan Party or of all or any substantial part (i.e., 33-1/3% or more) of the assets or property of such Loan Party; or (vi) shall cease operations of its business as its business has normally been conducted; or (vii) a Loan Party or its directors or majority shareholders, shall take any action initiating any of the foregoing actions described in clauses (i) through (vi); or (B) either (i) 45 days shall have expired after the commencement of an involuntary action against such Loan Party seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, without such action being dismissed or all orders or proceedings thereunder affecting the operations or the business of the Loan Party being stayed; or (ii) a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed; or (iii) a Loan Party shall file any answer admitting or not contesting the material allegations of a petition filed against such Loan Party in any such proceedings; or (iv) the court in which such proceedings are pending shall enter a decree or order granting the relief sought in any such proceedings; or (v) 45 days shall have expired after the appointment, without the consent or acquiescence of such Loan Party, of any trustee, receiver or liquidator of such Loan Party or of all or any substantial part of the properties of such Loan Party without such appointment being vacated; or

9.6 **Attachments; Judgments**. Any material portion of the Loan Parties' assets are attached or seized, or a levy is filed against any such assets, or a judgment or

judgments is/are entered for the payment of money (not covered by independent third party insurance as to which liability has not been rejected by such insurance carrier), individually or in the aggregate, of at least [*******] and shall remain unsatisfied, unvacated or unstayed for a period of 15 days after the entry thereof, or a Loan Party is enjoined or in any way prevented by court order for a period of 15 days from conducting a material part of its business; or

9.7 **Other Obligations**. The occurrence of any default under any other agreement or obligation of a Loan Party or any of its Subsidiaries involving any Indebtedness in excess of [********] and which has resulted in the right by the holder of such Indebtedness (whether or not exercised) to accelerate the maturity of such indebtedness following the expiration of any applicable cure periods under the agreements relating to such Indebtedness.

9.8 **Guaranty**. (a) Any Guaranty Document terminates or ceases for any reason to be in full force and effect, (b) any Guarantor does not perform any obligation or covenant under any Guaranty Document (subject to any applicable cure provisions under the Guaranty Documents), or (c) any circumstance described in Section 9 occurs with respect to any Guarantor; provided, that the circumstances under Section 9.3 shall be determined with respect to the Guarantors and the other Loan Parties taken as a whole in accordance with the provisions of the definition of Material Adverse Effect.

SECTION 10. REMEDIES

10.1 **General**. Upon and during the continuance of any one or more Events of Default, (i) Agent may, and at the direction of the Required Lenders shall, accelerate and demand payment of all or any part of the Secured Obligations together with a Prepayment Charge and declare them to be immediately due and payable (provided, that upon the occurrence of an Event of Default of the type described in Section 9.5, all of the Secured Obligations shall automatically be accelerated and made due and payable, in each case without any further notice or act), (ii) Agent may, at its option, sign and file in a Loan Party's name any and all collateral assignments, notices, control agreements, security agreements and other documents it deems necessary or appropriate to perfect or protect the repayment of the Secured Obligations, and in furtherance thereof, each Loan Party hereby grants Agent an irrevocable power of attorney coupled with an interest, and (iii) Agent may notify any Loan Party's account debtors to make payment directly to Agent, compromise the amount of any such account on such Loan Party's behalf and endorse Agent's name without recourse on any such payment for deposit directly to Agent's account. Agent may, and at the direction of the Required Lenders shall, exercise all rights and remedies with respect to the Collateral under the Loan Documents or otherwise available to it under the UCC and other applicable law, including the right to release, hold, sell, lease, liquidate, collect, realize upon, or otherwise dispose of all or any part of the Collateral and the right to occupy, utilize, process and commingle the Collateral. All Agent's rights and remedies shall be cumulative and not exclusive.

10.2 **Collection; Foreclosure**. Upon the occurrence and during the continuance of any Event of Default, Agent may, and at the direction of the Required Lenders shall, at any time or from time to time, apply, collect, liquidate, sell in one or more sales, lease or otherwise dispose of, any or all of the Collateral, in its then condition or following any commercially reasonable preparation or processing, in such order as Agent may elect. Any such sale may be made either at public or private sale at its place of business or elsewhere. Each Loan Party agrees that any such public or private sale may occur upon 10 calendar days' prior written

notice to the Loan Parties. Agent may require the Loan Parties to assemble the Collateral and make it available to Agent at a place designated by Agent that is reasonably convenient to Agent and the applicable Loan Party. The proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be applied by Agent in the following order of priorities:

First, to Agent and Lender in an amount sufficient to pay in full Agent's and Lender's reasonable costs and professionals' and advisors' fees and expenses as described in Section 11.11;

Second, to Lender in an amount equal to the then unpaid amount of the Secured Obligations (including principal, interest, and the default interest under Section 2.3), in such order and priority as Agent may choose in its sole discretion; and

Finally, after the full and final payment in Cash of all of the Secured Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement), to any creditor holding a junior Lien on the Collateral, or to the Loan Parties or their representatives or as a court of competent jurisdiction may direct.

Agent shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it complies with the obligations of a secured party under the UCC.

10.3 **No Waiver**. Agent shall be under no obligation to marshal any of the Collateral for the benefit of the Loan Parties or any other Person, and each Loan Party expressly waives all rights, if any, to require Agent to marshal any Collateral.

10.4 **Cumulative Remedie**s. The rights, powers and remedies of Agent hereunder shall be in addition to all rights, powers and remedies given by statute or rule of law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided herein shall not be construed as a waiver of or election of remedies with respect to any other rights, powers and remedies of Agent.

SECTION 11. MISCELLANEOUS

11.1 **Severability**. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent and duration of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.2 **Notice**. Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication (including the delivery of Financial Statements) that is required, contemplated, or permitted under the Loan Documents or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (i) the day of transmission by electronic mail or hand delivery or delivery by an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States of America mails,

with proper first class postage prepaid, in each case addressed to the party to be notified as follows:

(a) If to Agent:

HERCULES CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer and [**********]
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
email: [**********]
Telephone: [**********]

(b) If to Lender:

HERCULES CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer and [**********]
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
email: [**********]
Telephone: [**********]

(c) If to any Loan Party:

c/o TRANSENTERIX, INC.
635 Davis Drive, Suite 300
Morrisville, NC 27560
Attention: Joseph Slattery, Executive Vice President/Chief Financial Officer, and Joshua Weingard, Chief Legal Officer
email: [**********]
Telephone: [**********]
email: [**********]
Telephone: [**********]

with a copy to:

Ballard Spahr LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103-7599
Attn: Mary Mullany
email: [**********]
Telephone: [**********]

or to such other address as each party may designate for itself by like notice.

11.3 **Entire Agreement; Amendments**.

(a) This Agreement and the other Loan Documents constitute the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof, and supersede and replace in their entirety any prior proposals, term sheets, non-disclosure or confidentiality agreements, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof or thereof (including Agent's proposal letter dated April 10, 2018).

(b) Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 11.3(b). The Required Lenders and each Loan Party to the relevant Loan Document may, or, with the written consent of the Required Lenders, Agent and the Loan Parties party to the relevant Loan Document may, from time to time, (i) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of Lenders or of the Loan Parties hereunder or thereunder or (ii) waive, on such terms and conditions as the Required Lenders or Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (A) forgive the principal amount or extend the final scheduled date of maturity of any Loan, extend the scheduled date of any amortization payment in respect of any Term Loan, reduce the stated rate of any interest or fee payable hereunder) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Lender's Term Loan Commitment, in each case without the written consent of each Lender directly affected thereby; (B) eliminate or reduce the voting rights of any Lender under this Section 11.3(b) without the written consent of such Lender; (C) (v) reduce any percentage specified in the definition of Required Lenders, (w) consent to the assignment or transfer by the Loan Parties of any of its rights and obligations under this Agreement and the other Loan Documents, (x) release all or substantially all of the Collateral, (y) release any Guarantor of all or any portion of the Secured Obligations or its guaranty obligations with respect thereto, or (z) release a Loan Party from its obligations under the Loan Documents, in each case without the written consent of all Lenders; or (D) amend, modify or waive any provision of Section 11.17 without the written consent of Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each Lender and shall be binding upon the Loan Parties, Lender, Agent and all future holders of the Loans.

11.4 **No Strict Construction**. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.5 **No Waiver**. The powers conferred upon Agent and Lender by this Agreement are solely to protect its rights hereunder and under the other Loan Documents and its interest in the Collateral and shall not impose any duty upon Agent or Lender to exercise any such powers. No omission or delay by Agent or Lender at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by the Loan Parties at any time designated, shall be a waiver of any such right or remedy to which Agent or Lender is entitled, nor shall it in any way affect the right of Agent or Lender to enforce such provisions thereafter.

11.6 **Survival**. All agreements, representations and warranties contained in this Agreement and the other Loan Documents or in any document delivered pursuant hereto or thereto shall be for the benefit of Agent and Lender and shall survive the execution and delivery of this Agreement. Sections 6.3, 8 and 11.14 shall survive the termination of this Agreement.

11.7 **Successors and Assigns**. The provisions of this Agreement and the other Loan Documents shall inure to the benefit of and be binding on the Loan Parties and their permitted assigns (if any). The Loan Parties shall not assign their obligations under this Agreement or any of the other Loan Documents without Agent's express prior written consent, and any such attempted assignment shall be void and of no effect. Agent and Lender may assign, transfer, or endorse its rights hereunder and under the other Loan Documents without prior notice to the Loan Parties, and all of such rights shall inure to the benefit of Agent's and Lender's successors and assigns; provided that as long as no Event of Default has occurred and is continuing, neither Agent nor any Lender may assign, transfer or endorse its rights hereunder or under the Loan Documents to any party that is a direct competitor of any Loan Party (as reasonably determined by Agent), it being acknowledged that in all cases, any transfer to an Affiliate of any Lender or Agent shall be allowed.

11.8 **Governing Law**. This Agreement and the other Loan Documents (other than the Guarantor Documents) have been negotiated and delivered to Agent and Lender in the State of New York, and shall have been accepted by Agent and Lender in the State of New York. Payment to Agent and Lender by Borrower of the Secured Obligations is due in the State of New York. This Agreement and the other Loan Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

11.9 **Consent to Jurisdiction and Venue**. All judicial proceedings (to the extent that the reference requirement of Section 11.10 is not applicable) arising in or under or related to this Agreement or any of the other Loan Documents may be brought in any state or federal court located in the State of New York. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to nonexclusive personal jurisdiction in the State of New York located in the City of New York, Borough of Manhattan, or of the United States of America for the Southern District of New York; (b) waives any objection as to jurisdiction or venue in the State of New York located in the City of New York, Borough of Manhattan, or of the United States of America for the Southern District of New York; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this

Agreement or the other Loan Documents. Service of process on any party hereto in any action arising out of or relating to this Agreement shall be effective if given in accordance with the requirements for notice set forth in Section 11.2, and shall be deemed effective and received as set forth in Section 11.2. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

11.10 **Mutual Waiver of Jury Trial / Judicial Reference**. Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert Person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws. EACH OF THE LOAN PARTIES, AGENT AND LENDER SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY THE LOAN PARTIES AGAINST AGENT, LENDER OR THEIR RESPECTIVE ASSIGNEE OR BY AGENT, LENDER OR THEIR RESPECTIVE ASSIGNEE AGAINST ANY LOAN PARTY. This waiver extends to all such Claims, including Claims that involve Persons other than Agent, the Loan Parties and Lender; Claims that arise out of or are in any way connected to the relationship among the Loan Parties, Agent and Lender; and any Claims for damages, breach of contract, tort, specific performance, or any equitable or legal relief of any kind, arising out of this Agreement, any other Loan Document.

11.11 **Professional Fees**. Borrower promises to pay Agent's and Lender's fees and expenses necessary to finalize the loan documentation, including but not limited to reasonable attorneys' fees, UCC searches, filing costs, and other miscellaneous expenses. In addition, Borrower promises to pay any and all reasonable attorneys' and other reasonable and documented professionals' fees and expenses incurred by Agent and Lender after the Closing Date in connection with or related to: (a) the Loan; (b) the administration, collection, or enforcement of the Loan; (c) the amendment or modification of the Loan Documents; (d) any waiver, consent, release, or termination under the Loan Documents; (e) the protection, preservation, audit, field exam, sale, lease, liquidation, or disposition of Collateral or the exercise of remedies with respect to the Collateral; (f) any legal, litigation, administrative, arbitration, or out of court proceeding in connection with or related to Borrower or the Collateral, and any appeal or review thereof; and (g) any bankruptcy, restructuring, reorganization, assignment for the benefit of creditors, workout, foreclosure, or other action related to Borrower, the Collateral, the Loan Documents, including representing Agent or Lender in any adversary proceeding or contested matter commenced or continued by or on behalf of Borrower's estate, and any appeal or review thereof.

11.12 **Confidentiality**. Agent and Lender acknowledge that certain items of Collateral and information provided to Agent and Lender by the Loan Parties are confidential and proprietary information of the Loan Parties, if and to the extent such information either (x) is marked as confidential by the Loan Parties at the time of disclosure, or (y) should reasonably be understood to be confidential (the "Confidential Information"). Accordingly, Agent and Lender agree that any Confidential Information it may obtain in the course of acquiring, administering, or perfecting Agent's security interest in the Collateral shall not be disclosed to any other Person or entity in any manner whatsoever, in whole or in part, without the prior written consent of Parent, except that Agent and Lender may disclose any such information: (a) to its own directors, officers, employees, accountants, counsel and other professional advisors and to its Affiliates if Agent or Lender in their sole discretion determines that any such party should have access to such information in connection with such party's responsibilities in connection with the Loan or this Agreement and; provided that such recipient of such Confidential Information either (i) agrees to be bound by the confidentiality provisions of this paragraph or (ii) is otherwise subject to confidentiality restrictions that reasonably protect against the disclosure of Confidential Information; (b) if such information is generally available to the public; (c) if required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over Agent or Lender; (d) if required or appropriate in response to any summons or subpoena or in connection with any litigation, to the extent permitted or deemed advisable by Agent's or Lender's counsel; (e) to comply with any legal requirement or law applicable to Agent or Lender; (f) to the extent reasonably necessary in connection with the exercise of any right or remedy under any Loan Document, including Agent's sale, lease, or other disposition of Collateral after default; (g) to any participant or assignee of Agent or Lender or any prospective participant or assignee; provided that such participant or assignee or prospective participant or assignee agrees in writing to be bound by this Section prior to disclosure; or (h) otherwise with the prior consent of Parent; provided that any disclosure made in violation of this Agreement shall not affect the obligations of the Loan Parties or any of their Affiliates or any guarantor under this Agreement or the other Loan Documents. Agent's and Lender's obligations under this Section 11.12 shall supersede all of their respective obligations under any nondisclosure agreement with the Loan Parties existing prior to the Closing Date.

11.13 **Assignment of Rights**. Each Loan Party acknowledges and understands that Agent or Lender may, subject to Section 11.7, sell and assign all or part of its interest hereunder and under the Loan Documents to any Person or entity (an "Assignee"). After such assignment the term "Agent" or "Lender" as used in the Loan Documents shall mean and include such Assignee, and such Assignee shall be vested with all rights, powers and remedies of Agent and Lender hereunder with respect to the interest so assigned; but with respect to any such interest not so transferred, Agent and Lender shall retain all rights, powers and remedies hereby given. No such assignment by Agent or Lender shall relieve any Loan Party of any of its obligations hereunder. Lender agrees that in the event of any transfer by it of the Note(s)(if any), it will endorse thereon a notation as to the portion of the principal of the Note(s), which shall have been paid at the time of such transfer and as to the date to which interest shall have been last paid thereon.

11.14 **Revival of Secured Obligations**. This Agreement and the Loan Documents shall remain in full force and effect and continue to be effective if any petition is filed by or against any Loan Party for liquidation or reorganization, if any Loan Party becomes insolvent or makes an assignment for the benefit of creditors, if a receiver or trustee is appointed for all or any significant part of any Loan Party's assets, or if any payment or transfer of Collateral is recovered from Agent or Lender. The Loan Documents and the Secured Obligations and Collateral security shall continue to be effective, or shall be revived or reinstated, as the case may be, if at any time payment and performance of the Secured Obligations or any transfer of Collateral to Agent, or any part thereof is rescinded, avoided or avoidable, reduced in amount, or must otherwise be restored or returned by, or is recovered from, Agent, Lender or by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment, performance, or transfer of Collateral had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, avoided, avoidable, restored, returned, or recovered, the Loan Documents and the Secured Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) shall be deemed, without any further action or documentation, to have been revived and reinstated except to the extent of the full, final, and indefeasible payment to Agent or Lender in Cash.

11.15 **Counterparts**. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

11.16 **No Third Party Beneficiaries**. No provisions of the Loan Documents are intended, nor will be interpreted, to provide or create any third-party beneficiary rights or any other rights of any kind in any Person other than Agent, Lender and the Loan Parties unless specifically provided otherwise herein, and, except as otherwise so provided, all provisions of the Loan Documents will be personal and solely among Agent, Lender and the Loan Parties.

11.17 **Agency**.

(a) Lender hereby irrevocably appoints Hercules Capital, Inc. to act on its behalf as Agent hereunder and under the other Loan Documents and authorizes Agent to take such actions on its behalf and to exercise such powers as are delegated to Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto.

(b) Lender agrees to indemnify Agent in its capacity as such (to the extent not reimbursed by the Loan Parties and without limiting the obligation of the Loan Parties to do so), according to its respective Term Loan Commitment percentages (based upon the total outstanding Term Loan Commitments) in effect on the date on which indemnification is sought under this Section 11.17, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time be imposed on, incurred by or asserted against Agent in any way relating to or arising out of, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by Agent under or in connection with any of the foregoing; The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

(c) The Person serving as Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not Agent and the term "Lender" shall, unless otherwise expressly indicated or unless the context otherwise requires, include each such Person serving as Agent hereunder in its individual capacity.

(d) Agent shall have no duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, Agent shall not:

(i) be subject to any fiduciary or other implied duties, regardless of whether any default or any Event of Default has occurred and is continuing;

(ii) have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that Agent is required to exercise as directed in writing by Lender; provided that Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose Agent to liability or that is contrary to any Loan Document or applicable law; and

(iii) except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and Agent shall not be liable for the failure to disclose, any information relating to the Loan Parties or any of their Affiliates that is communicated to or obtained by any Person serving as Agent or any of its Affiliates in any capacity.

(e) Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of Lender or as Agent shall believe in good faith shall be necessary, under the circumstances or (ii) in the absence of its own gross negligence or willful misconduct.

(f) Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Section 4 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to Agent.

(g) Agent may rely, and shall be fully protected in acting, or refraining to act, upon, any resolution, statement, certificate, instrument, opinion, report, notice, request, consent,

order, bond or other paper or document that it has no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of cables, telecopies and telexes, to have been sent by the proper party or parties. In the absence of its gross negligence or willful misconduct, Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to Agent and conforming to the requirements of the Loan Agreement or any of the other Loan Documents. Agent may consult with counsel, and any opinion or legal advice of such counsel shall be full and complete authorization and protection in respect of any action taken, not taken or suffered by Agent hereunder or under any Loan Documents in accordance therewith. Agent shall have the right at any time to seek instructions concerning the administration of the Collateral from any court of competent jurisdiction. Agent shall not be under any obligation to exercise any of the rights or powers granted to Agent by this Agreement, the Loan Agreement and the other Loan Documents at the request or direction of Lenders unless Agent shall have been provided by Lender with adequate security and indemnity against the costs, expenses and liabilities that may be incurred by it in compliance with such request or direction.

11.18 **Publicity**. None of the parties hereto nor any of its respective member businesses and Affiliates shall, without the other parties' prior written consent (which shall not be unreasonably withheld or delayed), publicize or use (a) the other party's name (including a brief description of the relationship among the parties hereto), logo or hyperlink to such other parties' web site, separately or together, in written and oral presentations, advertising, promotional and marketing materials, client lists, public relations materials or on its web site (together, the "Publicity Materials"); (b) the names of officers of such other parties in the Publicity Materials; and (c) such other parties' name, trademarks, servicemarks in any news or press release concerning such party; provided, however, notwithstanding anything to the contrary herein, no such consent shall be required (i) to the extent necessary to comply with the requests of any regulators, legal requirements or laws applicable to such party, pursuant to any listing agreement with any national securities exchange (so long as such party provides prior notice to the other party hereto to the extent reasonably practicable) and (ii) to comply with Section 11.12.

11.19 **Multiple Loan Parties**.

(a) **Agent**. Each of the Loan Parties hereby irrevocably appoints Parent as its agent, attorney-in-fact and legal representative for all purposes, including requesting disbursement of the Term Loan and receiving account statements and other notices and communications to the Loan Parties (or any of them) from Agent or any Lender. Agent may rely, and shall be fully protected in relying, on any request for the Term Loan, disbursement instruction, report, information or any other notice or communication made or given by Parent, whether in its own name or on behalf of one or more of the other Loan Parties, and Agent shall not have any obligation to make any inquiry or request any confirmation from or on behalf of any other Loan Party as to the binding effect on it of any such request, instruction, report, information, other notice or communication, nor shall the joint and several character of the Loan Parties' obligations hereunder be affected thereby.

(b) **Waivers**. Each Loan Party hereby waives: (i) any right to require Agent to institute suit against, or to exhaust its rights and remedies against, any other Loan Party or any

other person, or to proceed against any property of any kind which secures all or any part of the Secured Obligations, or to exercise any right of offset or other right with respect to any reserves, credits or deposit accounts held by or maintained with Agent or any Indebtedness of Agent or any Lender to any other Loan Party, or to exercise any other right or power, or pursue any other remedy Agent or any Lender may have; (ii) any defense arising by reason of any disability or other defense of any other Loan Party or any guarantor or any endorser, co-maker or other person, or by reason of the cessation from any cause whatsoever of any liability of any other Loan Party or any guarantor or any endorser, co-maker or other person, with respect to all or any part of the Secured Obligations, or by reason of any act or omission of Agent or others which directly or indirectly results in the discharge or release of any other Loan Party or any guarantor or any other person or any Secured Obligations or any security therefor, whether by operation of law or otherwise; (iii) any defense arising by reason of any failure of Agent to obtain, perfect, maintain or keep in force any Lien on, any property of any Loan Party or any other person; (iv) any defense based upon or arising out of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any other Loan Party or any guarantor or any endorser, co-maker or other person, including without limitation any discharge of, or bar against collecting, any of the Secured Obligations (including without limitation any interest thereon), in or as a result of any such proceeding. Until all of the Secured Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been paid, performed, and discharged in full, nothing shall discharge or satisfy the liability of any Loan Party hereunder except the full performance and payment of all of the Secured Obligations. If any claim is ever made upon Agent for repayment or recovery of any amount or amounts received by Agent in payment of or on account of any of the Secured Obligations, because of any claim that any such payment constituted a preferential transfer or fraudulent conveyance, or for any other reason whatsoever, and Agent repays all or part of said amount by reason of any judgment, decree or order of any court or administrative body having jurisdiction over Agent or any of its property, or by reason of any settlement or compromise of any such claim effected by Agent with any such claimant (including without limitation the any other Loan Party), then and in any such event, each Loan Party agrees that any such judgment, decree, order, settlement and compromise shall be binding upon such Loan Party, notwithstanding any revocation or release of this Agreement or the cancellation of any note or other instrument evidencing any of the Secured Obligations, or any release of any of the Secured Obligations, and each Loan Party shall be and remain liable to Agent and Lenders under this Agreement for the amount so repaid or recovered, to the same extent as if such amount had never originally been received by Agent or any Lender, and the provisions of this sentence shall survive, and continue in effect, notwithstanding any revocation or release of this Agreement. Each Loan Party hereby expressly and unconditionally waives all rights of subrogation, reimbursement and indemnity of every kind against any other Loan Party, and all rights of recourse to any assets or property of any other Loan Party, and all rights to any collateral or security held for the payment and performance of any Secured Obligations, including (but not limited to) any of the foregoing rights which a Loan Party may have under any present or future document or agreement with any other Loan Party or other person, and including (but not limited to) any of the foregoing rights which any Loan Party may have under any equitable doctrine of subrogation, implied contract, or unjust enrichment, or any other equitable or legal doctrine.

(c) **Consents**. Each Loan Party hereby consents and agrees that, without notice to or by the Loan Parties and without affecting or impairing in any way the obligations or

liability of the Loan Parties hereunder, Agent may, from time to time before or after revocation of this Agreement, do any one or more of the following in its sole and absolute discretion: (i) accept partial payments of, compromise or settle, renew, extend the time for the payment, discharge, or performance of, refuse to enforce, and release all or any parties to, any or all of the Secured Obligations; (ii) grant any other indulgence to any Loan Party or any other Person in respect of any or all of the Secured Obligations or any other matter; (iii) accept, release, waive, surrender, enforce, exchange, modify, impair, or extend the time for the performance, discharge, or payment of, any and all property of any kind securing any or all of the Secured Obligations or any guaranty of any or all of the Secured Obligations, or on which Agent at any time may have a Lien, or refuse to enforce its rights or make any compromise or settlement or agreement therefor in respect of any or all of such property; (iv) substitute or add, or take any action or omit to take any action which results in the release of, any one or more other Loan Parties or any endorsers or guarantors of all or any part of the Secured Obligations, including, without limitation one or more parties to this Agreement, regardless of any destruction or impairment of any right of contribution or other right of a Loan Party; (v) apply any sums received from any other Loan Party, any guarantor, endorser, or co-signer, or from the disposition of any Collateral or security, to any Indebtedness whatsoever owing from such person or secured by such Collateral or security, in such manner and order as Agent determines in its sole discretion, and regardless of whether such Indebtedness is part of the Secured Obligations, is secured, or is due and payable. Each Loan Party consents and agrees that Agent shall be under no obligation to marshal any assets in favor of a Loan Party, or against or in payment of any or all of the Secured Obligations. Each Loan Party further consents and agrees that Agent shall have no duties or responsibilities whatsoever with respect to any property securing any or all of the Secured Obligations. Without limiting the generality of the foregoing, Agent shall have no obligation to monitor, verify, audit, examine, or obtain or maintain any insurance with respect to, any property securing any or all of the Secured Obligations.

(d) **Independent Liability**. Each Loan Party hereby agrees that one or more successive or concurrent actions may be brought hereon against such Loan Party, in the same action in which any other Loan Party may be sued or in separate actions, as often as deemed advisable by Agent. Each Loan Party is fully aware of the financial condition of each other Loan Party and is executing and delivering this Agreement based solely upon its own independent investigation of all matters pertinent hereto, and such Loan Party is not relying in any manner upon any representation or statement of Agent or any Lender with respect thereto. Each Loan Party represents and warrants that it is in a position to obtain, and each Loan Party hereby assumes full responsibility for obtaining, any additional information concerning any other Loan Party's financial condition and any other matter pertinent hereto as such Loan Party may desire, and such Loan Party is not relying upon or expecting Agent to furnish to it any information now or hereafter in Agent's possession concerning the same or any other matter.

(e) **Subordination**. All Indebtedness of a Loan Party now or hereafter arising held by another Loan Party is subordinated to the Secured Obligations and the Loan Party holding the Indebtedness shall take all actions reasonably requested by Agent to effect, to enforce and to give notice of such subordination.

(SIGNATURES TO FOLLOW)

IN WITNESS WHEREOF, Borrowers, Agent and Lender have duly executed and delivered this Loan and Security Agreement as of the day and year first above written.

BORROWERS:

TRANSENTERIX, INC.

By: /s/ Todd M. Pope
Name: Todd M. Pope
Title: President and Chief Executive Officer

TRANSENTERIX SURGICAL, INC.

By: /s/ Todd M. Pope
Name: Todd M. Pope
Title: President and Chief Executive Officer

TRANSENTERIX INTERNATIONAL, INC.

By: /s/ Todd M. Pope
Name: Todd M. Pope
Title: President and Chief Executive Officer

SAFESTITCH LLC

By: TransEnterix, Inc., its sole member

By: /s/ Todd M. Pope
Name: Todd M. Pope
Title: President and Chief Executive Officer

THIS EXHIBIT HAS BEEN REDACTED AND IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST. REDACTED MATERIAL IS MARKED WITH "*" AND BRACKETS AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Accepted in Palo Alto, California:

AGENT:

HERCULES CAPITAL, INC.

Signature: /s/ Zhuo Huang

Print Name: Zhuo Huang

Title: Associate General Counsel

LENDER:

HERCULES CAPITAL, INC.

Signature: /s/ Zhuo Huang

Print Name: Zhuo Huang

Title: Associate General Counsel

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Table of Exhibits and Schedules

EXHIBIT A

ADVANCE REQUEST

To: Agent: Date: [●]

Hercules Capital, Inc. (the "Agent")
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
email: [**********]
Attn: General Counsel

TransEnterix, Inc. and the other parties to the Agreement as Borrowers (collectively, "Borrower" or "Borrowers") hereby requests from Hercules Capital, Inc. ("Lender") an Advance in the amount of $[●] on [●] (the "Advance Date") pursuant to the Loan and Security Agreement among Borrowers, Agent and Lender (the "Agreement"). Capitalized words and other terms used but not otherwise defined herein are used with the same meanings as defined in the Agreement.

Please:

(a) Issue a check payable to Borrower _____

or

(b) Wire Funds to Borrower's account _____

Bank: _____
Address: _____
_____
ABA Number: _____
Account Number: _____
Account Name: _____
Contact Person: _____
Phone Number _____
To Verify Wire Info: _____
Email address: _____

Each Borrower represents that the conditions precedent to the Advance set forth in the Agreement are satisfied and shall be satisfied upon the making of such Advance, including but not limited to: (i) that no event that has had or would reasonably be expected to have a Material Adverse Effect has occurred and is continuing; (ii) that each Loan Party is in compliance with all the terms and provisions set forth in each applicable Loan Document on its part to be observed or performed; and (iii) that as of the Advance Date, no fact or condition exists that could (or could, with the passage of time, the giving of notice, or both) constitute an Event of Default under the Loan Documents. Each Borrower understands and acknowledges that Agent has the right to review the financial information supporting this representation and, based upon such review in its sole discretion, Lender may decline to fund the requested Advance in accordance with the terms and conditions set forth in the Agreement.

Each Loan Party hereby represents that its corporate status and locations have not changed since the date of the Agreement or, if the Attachment to this Advance Request is completed, are as set forth in the Attachment to this Advance Request.

Each Borrower agrees to notify Agent promptly before the funding of the Loan if any of the matters which have been represented above shall not be true and correct on the Borrowing Date and if Agent has received no such notice before the Advance Date then the statements set forth above shall be deemed to have been made and shall be deemed to be true and correct as of the Advance Date, unless such statements relate to an earlier date.

Executed as of [●].

BORROWER:

TRANSENTERIX, INC., ***on behalf of itself and the other Borrowers***

SIGNATURE: _____
TITLE: _____
PRINT NAME: _____

ATTACHMENT TO ADVANCE REQUEST

Dated: [●]

Each Borrower hereby represents and warrants to Agent that Borrower's current name and organizational status is as follows:

Name:

Type of organization:

State of organization:

Organization file number:

Each Borrower hereby represents and warrants to Agent that the street addresses, cities, states and postal codes of its current locations are as follows:

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EXHIBIT B

SECURED TERM PROMISSORY NOTE

$[●],000,000 Advance Date: [●]

Maturity Date: [●]

FOR VALUE RECEIVED, TransEnterix, Inc., a Delaware corporation (the "Parent", TransEnterix Surgical, Inc., a Delaware corporation ("TSI"), TransEnterix International, Inc., a Delaware corporation ("TII"), SafeStitch LLC, a Virginia limited liability company ("SafeStitch" and together with the Parent, TSI and TII, collectively, "Borrower" or "Borrowers") hereby promise to pay to the order of Hercules Capital, Inc., a Maryland corporation, or the holder of this Note (the "Lender") at 400 Hamilton Avenue, Suite 310, Palo Alto, CA 94301 or such other place of payment as the holder of this Secured Term Promissory Note (this "Promissory Note") may specify from time to time in writing, in lawful money of the United States of America, the principal amount of [●] Million Dollars ($[●],000,000) or such other principal amount as Lender has advanced to Borrower, together with interest at a rate as set forth in Section 2.1(c) of the Loan Agreement based upon a year consisting of 360 days, with interest computed daily based on the actual number of days in each month.

This Promissory Note is the Note referred to in, and is executed and delivered in connection with, that certain Loan and Security Agreement dated May 23, 2018, by and among Borrowers, Hercules Capital, Inc., a Maryland corporation (the "Agent"), and the several banks and other financial institutions or entities from time to time party thereto as lender (as the same may from time to time be amended, modified or supplemented in accordance with its terms, the "Loan Agreement"), and is entitled to the benefit and security of the Loan Agreement and the other Loan Documents (as defined in the Loan Agreement), to which reference is made for a statement of all of the terms and conditions thereof. All payments shall be made in accordance with the Loan Agreement. All terms defined in the Loan Agreement shall have the same definitions when used herein, unless otherwise defined herein. An Event of Default under the Loan Agreement shall constitute a default under this Promissory Note.

Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest under the UCC or any applicable law. Borrower agrees to make all payments under this Promissory Note without setoff, recoupment or deduction and regardless of any counterclaim or defense. This Promissory Note has been negotiated and delivered to Lender and is payable in the State of New York. This Promissory Note shall be governed by and construed and enforced in accordance with, the laws of the State of New York, excluding any conflicts of law rules or principles that would cause the application of the laws of any other jurisdiction.

[remainder of page left blank, the next page is the signature page]

BORROWERS:

TRANSENTERIX, INC.

By: _____
Name: _____
Title: _____

TRANSENTERIX SURGICAL, INC.

By: _____
Name: _____
Title: _____

TRANSENTERIX INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

SAFESTITCH LLC

By: TransEnterix, Inc., its sole member

By: _____
Name: _____
Title: _____

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EXHIBIT C

NAME, LOCATIONS, AND OTHER INFORMATION FOR LOAN PARTIES

Present Name	Former Names (if any)	Locations	Place of Formation	Tax Identification Number	Organizational Identification Number
TransEnterix, Inc.	SafeStitch Medical, Inc. (legal name until Dec. 2013) TransEnterix, Inc. had Tweety Acquisition Corp merge into it in 2013	635 Davis Drive Suite 300 Morrisville, NC 27560 4400 Biscayne Blvd Miami FL 33137	Delaware, USA	[**********]	[*******]
TransEnterix Surgical, Inc.	TransEnterix, Inc. (legal name until Nov. 2013) TransEnterix (assumed name filings in DE and NC) TransEnterix, Inc. had Tweety Acquisition Corp merge into it in 2013	635 Davis Drive Suite 300 Morrisville, NC 27560 4400 Biscayne Blvd Miami FL 33137	Delaware, USA	[**********]	[*******]
TransEnterix International, Inc.	N/A	635 Davis Drive, Suite 300 Morrisville NC 27560	Delaware, USA	[**********]	[*******]
SafeStitch LLC	N/A	635 Davis Drive Suite 300 Morrisville, NC 27560 4400 Biscayne Blvd Miami FL 33137	Virginia, USA	[**********]	[********]
TransEnterix Europe S.à r.l.	N/A	[********** ********** ********** ********** ********** **********]	Grand Duchy of Luxembourg	N/A	[*********]
TransEnterix Italia S.r.l.	Vulcanos S.r.l. (prior legal name)	[********** **********]	Republic of Italy	N/A	[**********]

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EXHIBIT D

PATENTS, TRADEMARKS, COPYRIGHTS AND LICENSES

1. Patents and Patent Applications

a. TransEnterix, Inc.

Reference No.	Title	Patent No./Serial No./Filing Date
[********]	[********** **********]	[********** **********] **********
[********]	[**********]	[********** ********** **********]

b. TransEnterix Surgical, Inc.

Reference No.	Title	Patent No./App. Serial No./Filing Date
[*******]	[********** ********** ********** **********]	[********** ********** **********]
[**********]	[********** ********** ********** **********]	[********** ********** **********]
[**********]	[********** ********** ********** **********]	[********** ********** **********]

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Reference No.	Title	Patent No./App. Serial No./Filing Date
[**********]	[********** ********** ********** **********]	[********** ********** ********** **********]
[**********]	[********** ********** ********** **********]	[********** ********** ********** **********]
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[**********]	[********** ********** ********** ********]	[********** **********]
[**********]	[********** ********** ********** **********]	[********** **********]

c. TransEnterix International, Inc. – [****]

d. SafeStitch LLC – [****]

e. TransEnterix Italia S.r.l.

APPLICATION NO.	JURISDICTION	PRIORITY DATE	PATENT NO.	ISSUE DATE
[**********]				
[*********]	[**]	[**********]	[********]	[**********]
[*********]	[**]	[**********]		
[********]	[**]	[**********]		
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[*******]	[**]	[**********]		
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[**********]	[**]	[**********]		
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[**********]	[**]	[**********]	[**********]	[**********]
[**********]	[**]	[**********]		
[**********]	[**]	[**********]		
[**********]	[**]	[**********]		
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f. TransEnterix Europe S.à r.l.

REFERENCE	**TITLE**	**PATENT NUMBER**
[******]	[**********]	[*********]
[*********]	[**********]	[**********]
[*********]	[**********]	[**********]
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[******]	[********** **********]	[*********]
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[******]	[********** **********]	[**********]
[*********]	[********** **********]	[**********]
[*********]	[********** **********]	[**********]

g. TransEnterix Asia PTE Ltd. – [****]

h. TransEnterix Taiwan Ltd. – [****]

i. TransEnterix Japan K.K. – [****]

2. Trademarks and Trademark Applications

a. TransEnterix, Inc. – [****]

b. TransEnterix Surgical, Inc.

FILE #	TITLE	COUNTRY	STATUS	APPLICATION NUMBER
[**********]	[**********]	[********** *******]	[*********]	[******]

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[**********]	[**********]	[*****]	[********]	[*********]
[**********]	[**********]	[*****]	[********]	[*********]
[**********]	[********** **********]	[*****]	[******]	[*********]
[**********]	[**********]	[*****]	[*********]	[*********]
[**********]	[**********]	[*****]	[*********]	[*********]
[**********]	[**********]	[*****]	[*********]	[*********]
[**********]	[**********]	[*****]	[*********]	[*********]
[**********]	[********]	[*****]	[******]	[*********]
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[**********]*	[**********]	[******]	[*********]	[**********]
[**********]	[**********]	[******]	[******]	[**********]
[**********]	[**********]	[******]	[******]	[**********]
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FILE #	TITLE	COUNTRY	STATUS	APPLICATION NUMBER
[**********]	[********** **********]	[*****]	[******]	[**********]

c. TransEnterix International, Inc. – [****]

d. SafeStitch LLC – [****]

e. TransEnterix Italia S.r.l.

f. TransEnterix Europe S.à r.l. – [****]

g. TransEnterix Asia PTE Ltd. – [****]

h. TransEnterix Taiwan Ltd. – [****]

i. TransEnterix Japan K.K. – [****]

3. Copyrights and Copyright Applications

a. TransEnterix, Inc. – [****]

b. TransEnterix Surgical, Inc. – [****]

c. TransEnterix International, Inc. – [****]

d. SafeStitch LLC – [****]

e. TransEnterix Italia S.r.l. – [****]

f. TransEnterix Europe S.à r.l. – [****]

g. TransEnterix Asia PTE Ltd. – [****]

h. TransEnterix Taiwan Ltd. – [****]

i. TransEnterix Japan K.K. – [****]

4. Intellectual Property Licenses

a. TransEnterix, Inc.

i. Exclusive License and Development Agreement dated May 26, 2006 with Creighton University

ii. [**********]

iii. License Agreement dated March 22, 2018 with Great Belief International Limited

b. TransEnterix Surgical, Inc. – [****]

c. TransEnterix International, Inc. – [****]

d. SafeStitch LLC – [****]

e. TransEnterix Italia S.r.l.

i. License Contract Between the European Commission and Vulcanos s.r.l.

ii. [**********]

f. TransEnterix Europe S.à r.l.

i. [**********
**********]

g. TransEnterix Asia PTE Ltd. – [****]

h. TransEnterix Taiwan Ltd. – [****]

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EXHIBIT E

DEPOSIT ACCOUNTS AND INVESTMENT ACCOUNTS

Name of Account Owner	Bank Name, Address and Telephone	Account Number	Purpose of Account
TransEnterix Surgical, Inc.	[********** ********** ********** **********]	[**********]	[**********]
TransEnterix Surgical, Inc.	[********** ********** ********** **********]	[********]	[**********]
SafeStitch LLC	[********** ********** ********** ********** **********]	[**********]	[**********]
TransEnterix Europe S.à r.l.	[********** ********** ********** ********** **********]	[**********]	[**********]
TransEnterix Europe Sarl (Swiss Branch)	[*** ********** **********]	[**********]	[**********]
TransEnterix Europe Sarl (Swiss Branch)	[*** ********** **********]	[**********]	[**********]
TransEnterix Europe Sarl (Swiss Branch)	[*** ********** **********]	[**********]	[********** **********]
TransEnterix Europe Sarl (Swiss Branch)	[*** ********** **********]	[**********]	[**********]
TransEnterix Europe Sarl (Swiss Branch)	[********** **********]	[********** **]	[********** *******]
TransEnterix Italia S.r.l.	[********** ********** ******]	[**********]	[**********]
TransEnterix	[**********]	[**********]	[**********]
Italia S.r.l.	[**********]	[**********]	[**********]
TransEnterix Asia PTE Ltd	[**********]	[**********]	[**********]
TransEnterix Taiwan Ltd.	[**********]	[**********]	[**********]

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EXHIBIT F

COMPLIANCE CERTIFICATE

Hercules Capital, Inc. (as "Agent")
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301

Reference is made to that certain Loan and Security Agreement dated May 23, 2018 and the Loan Documents (as defined therein) entered into in connection with such Loan and Security Agreement all as may be amended from time to time (hereinafter referred to collectively as the "Loan Agreement") by and among, TransEnterix, Inc. ("Company"), as a Borrower, the other Borrowers party thereto, the several banks and other financial institutions or entities from time to time party thereto (collectively, "Lender") and Hercules Capital, Inc., as agent for Lender ("Agent") and. All capitalized terms not defined herein shall have the same meaning as defined in the Loan Agreement.

The undersigned is an Officer of the Company, knowledgeable of all Company financial matters, and is authorized to provide certification of information regarding the Company; hereby certifies, in such capacity, that in accordance with the terms and conditions of the Loan Agreement, each Loan Party is in compliance for the period ending [●] of all covenants, conditions and terms and hereby reaffirms that all representations and warranties contained therein are true and correct on and as of the date of this Compliance Certificate with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date and after giving effect in all cases to any standard(s) of materiality contained in the Loan Agreement as to such representations and warranties. Attached are the required documents supporting the above certification. The undersigned further certifies that these are prepared in accordance with GAAP (except for the absence of footnotes with respect to unaudited financial statement and subject to normal year-end adjustments) and are consistent from one period to the next except as explained below.

REPORTING REQUIREMENT	REQUIRED	CHECK IF ATTACHED
Interim Financial Statements	[**********]	
Interim Financial Statements	[********** ****]	
Audited Financial Statements	[**********]	

The undersigned hereby also confirms the below disclosed accounts represent all depository accounts and securities accounts presently open in the name of each Loan Party or any Subsidiary of a Loan Party, as applicable.

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		Depository AC #	Financial Institution	Account Type (Depository / Securities)	Last Month Ending Account Balance	Purpose of Account
LOAN PARTY Name/Address:						
	1					
	2					
	3					
	4					
	5					
	6					
	7					
LOAN PARTY SUBSIDIARY Name/Address						
	1					
	2					
	3					
	4					
	5					
	6					
	7					

The amounts held in accounts in accordance with Section 7.12(c) were [__] and [__], respectively, as of [__].

The amounts held in accounts in accordance with Section 7.12(d) was [__] as of [__], which equals [__] in accordance with Section 7.12(d).

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As of the applicable month end measurement date, commencing with the month ending March 31, 2019, Net Revenue for the trailing six month period ending on such date was $[__], which equaled [__]% of Projected Net Revenue for such six month period.

[remainder of page left blank, the next page is the signature page]

[Signature Page to Compliance Certificate dated _____]

Very Truly Yours,

TRANSENTERIX, INC., ***on behalf of itself and the other Borrowers***

By: _____
Name: _____
Its: _____

EXHIBIT G

FORM OF JOINDER AGREEMENT

This Joinder Agreement (the "Joinder Agreement") is made and dated as of [●], and is entered into by and between [●], a [●]("Subsidiary"), and HERCULES CAPITAL, INC., a Maryland corporation (as "Agent").

RECITALS

A. Subsidiary's Affiliate, TransEnterix, Inc. ("Company") and the other parties as Borrowers thereto have entered into that certain Loan and Security Agreement dated May 23, 2018, with the several banks and other financial institutions or entities from time to time party thereto as lender (collectively, "Lender") and Agent, as such agreement may be amended (the "Loan Agreement"), together with the other agreements executed and delivered in connection therewith;

B. Subsidiary acknowledges and agrees that it will benefit both directly and indirectly from Company's execution of the Loan Agreement and the other agreements executed and delivered in connection therewith;

AGREEMENT

NOW THEREFORE, Subsidiary and Agent agree as follows:

1. The recitals set forth above are incorporated into and made part of this Joinder Agreement. Capitalized terms not defined herein shall have the meaning provided in the Loan Agreement.

2. By signing this Joinder Agreement, Subsidiary shall be bound by the terms and conditions of the Loan Agreement the same as if it were Borrower (as defined in the Loan Agreement) under the Loan Agreement, mutatis mutandis; provided, however, that (a) with respect to (i) Section 5.1 of the Loan Agreement, Subsidiary represents that it is an entity duly organized, legally existing and in good standing under the laws of [●], (b) neither Agent nor Lender shall have any duties, responsibilities or obligations to Subsidiary arising under or related to the Loan Agreement or the other Loan Documents, (c) that if Subsidiary is covered by Company's insurance, Subsidiary shall not be required to maintain separate insurance or comply with the provisions of Sections 6.1 and 6.2 of the Loan Agreement, and (d) that as long as Company satisfies the requirements of Section 7.1 of the Loan Agreement, Subsidiary shall not have to provide Agent separate Financial Statements. To the extent that Agent or Lender has any duties, responsibilities or obligations arising under or related to the Loan Agreement or the other Loan Documents, those duties, responsibilities or obligations shall flow only to Company and not to Subsidiary or any other Person or entity. By way of example (and not an exclusive list): (i) Agent's providing notice to Company in accordance with the Loan Agreement or as otherwise agreed among Company, Agent and Lender shall be deemed provided to Subsidiary; (ii) a Lender's providing an Advance to Company shall be deemed an Advance to Subsidiary; and (iii) Subsidiary shall have no right to request an Advance or make any other demand on Lender.

3. Subsidiary agrees not to certificate its equity securities without Agent's prior written consent, which consent may be conditioned on the delivery of such equity securities to Agent in order to perfect Agent's security interest in such equity securities.

4. Subsidiary acknowledges that it benefits, both directly and indirectly, from the Loan Agreement, and hereby waives, for itself and on behalf on any and all successors in interest (including without limitation any assignee for the benefit of creditors, receiver, bankruptcy trustee or itself as debtor-in-possession under any bankruptcy proceeding) to the fullest extent provided by law, any and all claims, rights or defenses to the enforcement of this Joinder Agreement on the basis that (a) it failed to receive adequate consideration for the execution and delivery of this Joinder Agreement or (b) its obligations under this Joinder Agreement are avoidable as a fraudulent conveyance.

5. As security for the prompt, complete and indefeasible payment when due (whether on the payment dates or otherwise) of all the Secured Obligations, Subsidiary grants to Agent a security interest in all of Subsidiary's right, title, and interest in and to the Collateral.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SUBSIDIARY:

_____

By: _____
Name: _____
Title: _____

Address: _____
_____
_____

Telephone: _____
email: _____

AGENT:

HERCULES CAPITAL, INC.

By: _____
Name: _____
Title: _____

Address:
400 Hamilton Ave., Suite 310
Palo Alto, CA 94301
email: legal@herculestech.com
Telephone: 650-289-3060

EXHIBIT H

ACH DEBIT AUTHORIZATION AGREEMENT

Hercules Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301

Re: Loan and Security Agreement dated May 23, 2018 (the "Agreement") by and among TransEnterix, Inc. (the "Parent"), TransEnterix Surgical, Inc. ("Surgical"), the other parties thereto as Borrowers (together with the Parent and Surgical, collectively, "Borrower" or "Borrowers") and Hercules Capital, Inc., as agent ("Agent"), and the lenders party thereto (collectively, "Lender")

In connection with the above referenced Agreement, Surgical hereby authorizes Agent to initiate debit entries for (i) the periodic payments due under the Agreement and (ii) out-of-pocket legal fees and costs incurred by Agent or Lender pursuant to Section 2.1(d) of the Agreement to Surgical's account indicated below. Surgical authorizes the depository institution named below to debit to such account.

DEPOSITORY NAME	BRANCH
CITY	STATE AND ZIP CODE
TRANSIT/ABA NUMBER	ACCOUNT NUMBER

This authority will remain in full force and effect so long as any amounts are due under the Agreement.

_____
(Parent)(Please Print)

By: _____

Date: _____

SCHEDULE 1.1

TERM LOAN COMMITMENTS

LENDER	TRANCHE I LOAN	TRANCHE II LOAN	TRANCHE III LOAN
HERCULES CAPITAL, INC.	$20,000,000	$10,000,000	$10,000,000

Schedule 1A

Existing Permitted Indebtedness

TransEnterix, Inc.		
Lender	Original Principal Amount/ Principal Outstanding	Secured/ Unsecured
[**********]	[********** ********** **********]	[********]
[**]	[********** ********** ********** **********]	[********]

TransEnterix, Inc.		
Lender	Original Principal Amount/ Principal Outstanding	Secured/ Unsecured
	[**********]	[********]
[**********]	[**********]	[********]

TransEnterix Surgical, Inc.		
Lender	Original Principal Amount/ Principal Outstanding	Secured/ Unsecured
[********** ****]	[********** *********]	[*********]

TransEnterix International, Inc.			
[**********]	[********** ********** ********** ********** ********** ********** ********** ********** ********** ********** **********] [**********]	[********** ********** ******* ****** ********** ******* ********** ********* ******* ********** ********** **********]	[*********]

TransEnterix Europe S.à r.l.			
Lender	Original Principal Amount/ Principal Outstanding	Maturity Date	Secured/ Unsecured
[**********]	[********** **********]	[*** ********* ******]	[*********]
[********* ********** ********** **********]	[********** **********]		[*******]

TransEnterix Europe S.à r.l.			
Lender	Original Principal Amount/ Principal Outstanding	Maturity Date	Secured/ Unsecured
[*** ********** **]	[********** ********** ********]		[*******]
[**********]	[********** ********** **********]		[*******]
[******** ********** ********** **********]	[********** ********** *********]		[*******]

TransEnterix Italia S.r.l.			
Lender	Original Principal Amount / Principal Outstanding	Maturity Date	Secured/ Unsecured
[********** ********** ********* **********]	[**********]	[****** ****** ********** ********** *****]	[*******]
[********** ********** ********* **********]	[********]	[****** ****** ********** ********** *****]	[*******]

Schedule 1B

Existing Permitted Investments

None.

Schedule 1C

Existing Permitted Liens

TransEnterix, Inc.	
Name of Holder of Lien/Encumbrance	Description of Property Encumbered
[**********]	[**********]
[**********]	[**********]

TransEnterix Surgical, Inc.	
Name of Holder of Lien/Encumbrance	Description of Property Encumbered
[********** **********]	[**********]

TransEnterix Europe S.à r.l.	
Name of Holder of Lien/Encumbrance	Description of Property Encumbered
[**********]	[********** **********]
[********** **********]	[********** *******]
[**********]	[********** **********]
[********** **********]	[**********]
[********** ****]	[**********]

TransEnterix Italia S.r.l.	
Name of Holder of Lien/Encumbrance	Description of Property Encumbered
[********** **********]	[**********]
[********** **********]	[**********]

Schedule 5.8

Tax Matters

None.

Schedule 5.9

Intellectual Property Claims

None.

Schedule 5.10

Intellectual Property

1. [**********]

2. [**********]

Schedule 5.11

Borrower Products

None.

Schedule 5.14

Capitalization

Entity	Ownership
TransEnterix, Inc.	Public Company [TRXC on NYSE American]
TransEnterix Surgical, Inc.	TransEnterix, Inc. (100% - 100 shares)
TransEnterix International, Inc.	TransEnterix, Inc. (100% - 100 shares)
SafeStitch LLC	TransEnterix, Inc. (100%)
TransEnterix Europe S.à r.l.	TransEnterix International, Inc. (100%)
TransEnterix Italia S.r.l.	TransEnterix Europe S.à.r.l. (100%)
TransEnterix Asia PTE Ltd. (Not a Loan Party)	TransEnterix Europe S.à.r.l. (100%)
TransEnterix Taiwan Ltd. (Not a Loan Party)	TransEnterix Asia PTE Ltd. (100%)
TransEnterix Japan K.K. (Not a Loan Party)	TransEnterix Asia PTE Ltd. (100%)

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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

Date: August 7, 2018

/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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

Date: August 7, 2018

/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 June 30, 2018 (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: August 7, 2018

By: /s/ Todd M. Pope
Todd M. Pope
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 June 30, 2018 (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: August 7, 2018

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.