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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2016**

or

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

For the transition period from _____ to _____

Commission file number: **001-36046**

AxoGen, Inc.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of
incorporation or organization)

41-1301878

(I.R.S. Employer
Identification No.)

13631 Progress Blvd., Suite 400, Alachua, FL

(Address of principal executive offices)

32615

(Zip Code)

386-462-6800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer

Accelerated filer

Non-Accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

As of May 4, 2016, the registrant had 30,084,217 shares of common stock outstanding.

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Forward-Looking Statements

From time to time, in reports filed with the U.S. Securities and Exchange Commission (the "SEC") (including this Form 10-Q), in press releases, and in other communications to shareholders or the investment community, AxoGen, Inc. (the "Company", "AxoGen", "we" or "our") may provide forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, concerning possible or anticipated future results of operations or business developments. These statements are based on management's current expectations or predictions of future conditions, events or results based on various assumptions and management's estimates of trends and economic factors in the markets in which we are active, as well as our business plans. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "projects", "forecasts", "continue", "may", "should", "will" variations of such words and similar expressions are intended to identify such forward-looking statements. The forward-looking statements may include, without limitation, statements regarding our growth, our 2016 guidance, product development, product potential, financial performance, sales growth, product adoption, market awareness of our products, data validation, our visibility at and sponsorship of conferences and educational events. The forward-looking statements are subject to risks and uncertainties, which may cause results to differ materially from those set forth in the statements. Forward-looking statements in this Form 10-Q should be evaluated together with the many uncertainties that affect the Company's business and its market, particularly those discussed in the risk factors and cautionary statements in the Company's filings with the SEC, including as described in "Risk Factors" included in Item 1A of this Form 10-Q. Forward-looking statements are not guarantees of future performance, and actual results may differ materially from those projected. The forward-looking statements are representative only as of the date they are made, and the Company assumes no responsibility to update any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

PART 1 — FINANCIAL INFORMATION**ITEM 1 — FINANCIAL STATEMENTS**AxoGen, Inc.
Condensed Consolidated Balance Sheets

| | <u>March 31,</u> <u>2016</u> | <u>December 31,</u> <u>2015</u> |
|---|---------------------------------|------------------------------------|
| | <u>(unaudited)</u> | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 20,948,752 | \$ 25,909,500 |
| Accounts receivable, net of allowance for doubtful accounts of approximately \$273,000 and \$192,000 respectively | 5,290,581 | 4,782,989 |
| Inventory | 4,515,940 | 3,933,960 |
| Prepaid expenses and other | 699,039 | 424,925 |
| Total current assets | <u>31,454,312</u> | <u>35,051,374</u> |
| Property and equipment, net | 1,294,941 | 970,870 |
| Intangible assets | 747,482 | 678,082 |
| | <u>\$ 33,496,735</u> | <u>\$ 36,700,326</u> |
| Liabilities and Shareholders' Equity (Deficit) | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 3,750,606 | \$ 3,695,127 |
| Current deferred revenue | 14,118 | 14,118 |
| Total current liabilities | <u>3,764,724</u> | <u>3,709,245</u> |
| Note Payable - Revenue Interest Purchase Agreement | 24,804,453 | 24,701,693 |
| Long Term Deferred Revenue | 88,401 | 93,797 |
| Total liabilities | <u>28,657,578</u> | <u>28,504,735</u> |
| Shareholders' equity (deficit): | | |
| Common stock, \$0.01 par value per share; 50,000,000 shares authorized; 30,035,576 and 29,984,591 shares issued and outstanding | 300,356 | 299,846 |
| Additional paid-in capital | 111,687,571 | 111,368,424 |
| Accumulated deficit | <u>(107,148,770)</u> | <u>(103,472,679)</u> |
| Total shareholders' equity | <u>4,839,157</u> | <u>8,195,591</u> |
| | <u>\$ 33,496,735</u> | <u>\$ 36,700,326</u> |

See notes to condensed consolidated financial statements.

AxoGen, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

| | Three Months Ended | |
|--|------------------------------|------------------------------|
| | March 31, 2016 | March 31, 2015 |
| Revenues | \$ 8,111,759 | \$ 4,951,316 |
| Cost of goods sold | 1,405,591 | 982,881 |
| Gross profit | 6,706,168 | 3,968,435 |
| Costs and expenses: | | |
| Sales and marketing | 6,205,875 | 3,932,522 |
| Research and development | 978,340 | 671,036 |
| General and administrative | 2,144,757 | 1,908,581 |
| Total costs and expenses | 9,328,972 | 6,512,139 |
| Loss from operations | (2,622,804) | (2,543,704) |
| Other income (expense): | | |
| Interest expense | (1,003,027) | (994,748) |
| Interest expense — deferred financing costs | (30,810) | (33,746) |
| Other income (expense) | (19,450) | (3,003) |
| Total other income (expense) | (1,053,287) | (1,031,497) |
| Net Loss | <u>\$ (3,676,091)</u> | <u>\$ (3,575,201)</u> |
| Weighted Average Common Shares outstanding — basic and diluted | 29,994,066 | 22,517,361 |
| Loss Per Common share — basic and diluted | <u>\$ (0.12)</u> | <u>\$ (0.16)</u> |

See notes to condensed consolidated financial statements.

AxoGen, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

| | Three Months Ended March 31, | |
|--|-------------------------------------|----------------------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net loss | \$ (3,676,091) | \$ (3,575,201) |
| Adjustments to reconcile net loss to net cash used for operating activities: | | |
| Depreciation | 78,856 | 41,898 |
| Amortization of intangible assets | 16,016 | 11,772 |
| Amortization of deferred financing costs | 30,810 | 33,746 |
| Provision for bad debt | 80,651 | — |
| Stock-based compensation | 182,955 | 368,249 |
| Interest added to note payable | 71,950 | 183,273 |
| Change in assets and liabilities: | | |
| Accounts receivable | (588,243) | (289,280) |
| Inventory | (581,980) | (124,278) |
| Prepaid expenses and other | (274,114) | (150,579) |
| Accounts payable and accrued expenses | 55,479 | 992,078 |
| Deferred revenue | (5,396) | (5,396) |
| Net cash used for operating activities | (4,609,107) | (2,513,718) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (402,927) | (6,288) |
| Acquisition of intangible assets | (85,416) | (32,051) |
| Net cash used for investing activities | (488,343) | (38,339) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | — | 13,772,133 |
| Debt issuance costs | — | (180,142) |
| Proceeds from exercise of stock options | 136,702 | — |
| Net cash provided by financing activities | 136,702 | 13,591,991 |
| Net increase (decrease) in cash and cash equivalents | (4,960,748) | 11,039,934 |
| Cash and cash equivalents, beginning of year | 25,909,500 | 8,215,791 |
| Cash and cash equivalents, end of period | \$ 20,948,752 | \$ 19,255,725 |
| Supplemental disclosures of cash flow activity: | | |
| Cash paid for interest | \$ 900,410 | \$ 803,607 |

See notes to condensed consolidated financial statements.

AxoGen, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Unless the context otherwise requires, all references in these Notes to “AxoGen,” “the Company,” “we,” “us” and “our” refer to AxoGen, Inc. and its wholly owned subsidiary AxoGen Corporation (“AC”).

1. Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of AxoGen, Inc. (the “Company” or “AxoGen”) and its wholly owned subsidiary AxoGen Corporation (“AC”) as of March 31, 2016 and December 31, 2015 and for the three month periods ended March 31, 2016 and 2015. The Company’s condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2015, which are included in the Company’s Annual Report on Form 10-K as of and for the year ended December 31, 2015. The interim condensed consolidated financial statements are unaudited and in the opinion of management, reflect all adjustments necessary for a fair presentation of results for the periods presented. Results for interim periods are not necessarily indicative of results for the full year. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Organization and Business

Business Summary

We are a leading medical technology company dedicated to peripheral nerve repair. We provide products and education to improve surgical treatment algorithms for peripheral nerve injuries. Our portfolio of regenerative medicine products is available in the United States, Canada and several other countries and includes (i) Avance® Nerve Graft, an off-the-shelf processed human nerve allograft for bridging severed nerves without the comorbidities associated with a second surgical site, (ii) AxoGuard® Nerve Connector, a porcine submucosa extracellular matrix (“ECM”) coaptation aid for tensionless repair of severed nerves, and (iii) AxoGuard® Nerve Protector, a porcine submucosa ECM product used to wrap and protect injured peripheral nerves and reinforce the nerve reconstruction while preventing soft tissue attachments. Along with these core surgical products, we also offer the AxoTouch™ Two-Point Discriminator and AcroVal™ Neurosensory and Motor Testing System. These evaluation and measurement tools assist healthcare professionals in detecting changes in sensation, assessing return of sensory, grip and pinch function, evaluating effective treatment interventions, and providing feedback to patients.

Avance® Nerve Graft is processed in the United States by AxoGen. AxoGuard® Nerve Connector and AxoGuard® Nerve Protector are manufactured in the United States by Cook Biotech Incorporated and are distributed worldwide exclusively by AxoGen. The AcroVal™ Neurosensory and Motor Testing System and AxoTouch™ Two Point Discriminator are contract manufactured by Viron Technologies, LLC. (formerly Cybernetics Research Laboratories) (“Viron”), Tucson, Arizona. Viron supplies the AcroVal™ and AxoTouch™ unpackaged and they are packaged at AxoGen’s distribution facility in Burleson, Texas. AxoGen maintains its corporate offices in Alachua, Florida and is the parent company of its wholly owned operating subsidiary, AC.

3. Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed and determinable, delivery has occurred and there is a reasonable assurance of collection of the sales proceeds. Revenues for manufactured products and products sold to a customer or under a distribution agreement are recognized when the product is shipped to the customer or distributor, at which time title passes to the customer or distributor. Once a product is shipped, the Company has no further performance obligations. Shipped product is defined as shipment to a customer location or segregation of product into a contracted distribution location. At such time, this product cannot be sold to any other

customer. Fees charged to customers for shipping are recognized as revenues when products are shipped to the customer, distributor or end user. In the case of revenues from consigned sales, revenue is determined when the product is utilized in a surgical procedure. Revenues from research grants are recognized in the period the associated costs are incurred.

Cash and Cash Equivalents and Concentration

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are carried at the original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

We regularly review all accounts that exceed 60 days from the invoice date and based on an assessment of current credit worthiness, estimate the portion, if any, of the balance that will not be collected. The analysis excludes certain government related receivables due to our past successful experience in collectability. Specific accounts that are deemed uncollectible are reserved at 100% of their outstanding balance. The remaining balances outstanding over 60 days have a percentage applied by aging category (5% for balances 61-90 days and 20% for balances over 90 days aged), based on a historical valuation that allows us to calculate the total reserve required. The reserve balance was determined by applying a percentage to the cumulative balance between 60 and 90 days and a higher percentage to the balance over 90 days. In the event that we exhaust all collection efforts and deem an account uncollectible, we would subsequently write off the account. The write off process involves approval by senior management based on the write off amount. The allowance for doubtful accounts reserve balance was approximately \$273,000 and \$192,000 at March 31, 2016 and December 31, 2015, respectively.

Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the trade credit risk. The Company also controls credit risk through credit approvals, credit limits and monitoring procedures.

Inventories

Inventories are comprised of implantable tissue, nerve grafts, Avance® Nerve Graft, AxoGuard® Nerve Connector, AxoGuard® Nerve Protector, and supplies that are valued at the lower of cost (first-in, first-out) or market and consist of the following:

| | March 31, | December |
|-----------------|--------------------|--------------------|
| | 2016 | 31, |
| | 2016 | 2015 |
| Finished goods | \$3,183,263 | \$2,732,823 |
| Work in process | 252,354 | 237,108 |
| Raw materials | 1,080,323 | 964,029 |
| | <u>\$4,515,940</u> | <u>\$3,933,960</u> |

Inventories were net of reserve of approximately \$828,000 and \$711,000 at March 31, 2016 and December 31, 2015, respectively.

Income Taxes

The Company has not recorded current income tax expense due to the generation of net operating losses. Deferred income taxes are accounted for using the balance sheet approach which requires recognition of deferred tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized. A full valuation allowance has been established on the deferred tax asset as it is more likely than not that future tax benefit will not be realized. In addition, future utilization of the available net operating loss carryforward may be limited under Internal Revenue Code Section 382 as a result of changes in ownership.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's remaining open tax years subject to examination by the Internal Revenue Service include the years ended December 31, 2012 through 2015; there currently are no examinations in process.

Fair Value of Financial Instruments

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash, accounts receivable, accounts payable and accrued expenses. The fair value of the Company's long-term debt approximates its carrying value based upon current rates available to the Company.

Share-Based Compensation

Stock-based compensation cost related to stock options granted under the AC 2002 Stock Option Plan and AxoGen 2010 Stock Incentive Plan (see Note 8) is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. The Company estimates the fair value of each option award issued under the Plan on the date of grant using a Black-Scholes-Merton option-pricing model that uses the assumptions noted in the table below. The Company estimates the volatility of its common stock at the date of grant based on the volatility of comparable peer companies which are publicly traded, for the periods prior to there being a market for the Company's common stock, and based on the Company's common stock for periods subsequent to having an established market for the stock. The Company determines the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. The Company uses the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. The Company has never paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future. The Company used the following weighted-average assumptions for options granted during the three months ended March 31:

| Three months ended March 31, | 2016 | 2015 |
|-------------------------------------|-------------|-------------|
| Expected term (in years) | 4 | 4 |
| Expected volatility | 62.00 % | 76.32 % |
| Risk free rate | 1.24 % | 1.28 % |
| Expected dividends | — % | — % |

The Company estimates forfeitures when recognizing compensation expense and this estimate of forfeitures is adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment, which is recognized in the period of change, and also impact the amount of unamortized compensation expense to be recognized in future periods. The Company did not apply a forfeiture allocation to its unvested options outstanding during the three months ended March 31, 2016 and 2015 as they were deemed insignificant.

Use of Estimates

The preparation of financial statements in conformity with 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.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB issued a new standard on revenue recognition which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The guidance became effective for fiscal years, and interim periods within those years, beginning after December 15, 2016; however, on July 9, 2015, the FASB decided to delay the effective date of the new revenue standard by one year. The proposed deferral may permit early adoption, but would not allow adoption any earlier than the original effective date of the standard. We are currently evaluating the impact this standard will have on our consolidated financial statements.

In June 2014, the FASB issued updated guidance related to stock compensation. The amendment requires that a performance target that affects vesting and that could be achieved after the requisite period, be treated as a performance condition. The updated guidance became effective for annual reporting periods and interim periods within those annual periods beginning after December 15, 2015. The Company has one such stock option grant that is based on quarterly performance conditions and the vesting and compensation expense is measured subsequent to the end of each quarter over a two year period. If the performance condition is met the vesting and compensation expense is recognized on the measurement date.

In April 2015, the FASB issued Accounting Standard Update (“ASU”) No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03") which changes the presentation of debt issuance costs in financial statements to present such costs as a direct deduction from the related debt liability rather than as an asset. ASU 2015-03 became effective for public companies during interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The Company adopted this standard in the first quarter of 2016 on a retrospective basis. (See note 7)

In November 2015, the FASB issued an ASU to simplify the presentation of deferred income taxes. The amendments in this ASU require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in these ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented and are effective for interim and annual reporting periods beginning after December 15, 2016. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. We are currently evaluating the method of adoption and the impact of the provisions of the ASU.

January 2016, the FASB, issued ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities,” which requires that most equity instruments be measured at fair value, with subsequent changes in fair value recognized in net income. The pronouncement also impacts the financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The ASU does not apply to equity method investments or investments in consolidated subsidiaries. The new standard will be effective for us for the year ended December 31, 2018, with early adoption permitted and amendments to be applied as a cumulative-effect adjustment to the balance sheet in the year of adoption. We are currently in the process of assessing the impact of the ASU on our consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. This update will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This update is effective for annual and interim reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2016-02 on its financial position, results of operations and liquidity.

The Company’s management has reviewed and considered all other recent accounting pronouncements and believe there are none that could potentially have a material impact on the Company’s consolidated financial condition, results of operations, or disclosures.

4. Property and Equipment

Property and equipment consist of the following:

| | <u>March 31,</u> <u>2016</u> | <u>December 31,</u> <u>2015</u> |
|---|---------------------------------|------------------------------------|
| Furniture and equipment | \$ 1,303,305 | \$ 1,186,815 |
| Leasehold improvements | 473,327 | 346,642 |
| Processing equipment | 1,535,510 | 1,375,759 |
| Less: accumulated depreciation and amortization | <u>(2,017,201)</u> | <u>(1,938,346)</u> |
| Property and equipment | <u>\$ 1,294,941</u> | <u>\$ 970,870</u> |

5. Intangible Assets

The Company’s intangible assets consist of the following:

| | <u>March 31,</u> <u>2016</u> | <u>December 31,</u> <u>2015</u> |
|--------------------------------|---------------------------------|------------------------------------|
| License agreements | \$ 906,061 | \$ 897,594 |
| Patents | 256,946 | 179,997 |
| Less: accumulated amortization | <u>(415,525)</u> | <u>(399,509)</u> |
| Intangible assets, net | <u>\$ 747,482</u> | <u>\$ 678,082</u> |

License agreements are being amortized over periods ranging from 17-20 years. Patent costs were being amortized over three years. As of March 31, 2016, the patents were fully amortized, and the remaining patents of \$256,946 were pending patent costs and were not amortizable. Amortization expense was approximately \$16,000 and \$12,000 for the three months ended March 31, 2016 and 2015, respectively. As of March 31, 2016, future amortization of license agreements for the remainder of this year and the next five years is expected to be \$48,000 for the remainder of 2016 and \$64,000 for 2017 through 2022 and \$42,000 for 2023.

License Agreements

The Company has entered into multiple license agreements (the “License Agreements”) with the University of Florida Research Foundation and the University of Texas at Austin. Under the terms of the License Agreements, the Company acquired exclusive worldwide licenses for underlying technology used in repairing and regenerating nerves. The licensed technologies include the rights to issued patents and patents pending in the United States and international markets. The effective term of the License Agreements extends through the term of the related patents and the agreements may be terminated by the Company with 60 days prior written notice. Additionally, in the event of default, licensors may

terminate an agreement if the Company fails to cure a breach after written notice. The License Agreements contain the key terms listed below:

- AxoGen pays royalty fees ranging from 1% to 3% under the License Agreements based on net sales of licensed products. One of the agreements also contains a minimum royalty of \$12,500 per quarter, which may include a credit in future quarters in the same calendar year for the amount the minimum royalty exceeds the royalty fees. Also, when AxoGen pays royalties to more than one licensor for sales of the same product, a royalty stack cap applies, capping total royalties at 3.75%;
- If AxoGen sublicenses technologies covered by the License Agreements to third parties, AxoGen would pay a percentage of sublicense fees received from the third party to the licensor. Currently, AxoGen does not sublicense any technologies covered by License Agreements. The Company is not considered a sub-licensee under the License Agreements and does not owe any sublicensee fees for its own use of the technologies;
- AxoGen reimburses the licensors for certain legal expenses incurred for patent prosecution and defense of the technologies covered by the License Agreements; and
- Currently, under one of the License Agreements, AxoGen would owe a \$15,000 milestone fee upon receiving a Phase II Small Business Innovation Research or Phase II Small Business Technology Transfer grant involving the licensed technology. The Company has not received either grant and does not owe such a milestone fee. Other milestone fees are due if AxoGen develops certain pharmaceutical or medical device products under the License Agreements. No such products are currently under development.

Royalty fees were approximately \$153,000 and \$96,000 during the three months ended March 31, 2016 and 2015, respectively, and are included in sales and marketing expense on the accompanying condensed consolidated statements of operations.

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consists of the following:

| | March 31, | December 31, |
|--|---------------------------|---------------------------|
| | 2016 | 2015 |
| Accounts payable | \$2,004,029 | \$2,090,874 |
| Miscellaneous accruals | 410,517 | 15,183 |
| Accrued compensation | 1,336,060 | 1,589,070 |
| Accounts Payable and Accrued Expenses | <u>\$3,750,606</u> | <u>\$3,695,127</u> |

7. Term Loan Agreement

Term Loan Agreement consists of the following:

| | March 31, 2016 | December 31, 2015 |
|--|---------------------|----------------------|
| Term Loan and Revenue Interest Agreement with Three Peaks Capital S.a.r.l. for a total term loan amount of \$25,000,000 which has a six year term and requires interest only payments and a final principal payment due at the end of the term. Interest is payable quarterly at 9.00% per annum plus the greater of LIBOR or 1.0% which as of March 31, 2016 and December 31, 2015 resulted in a 10% rate. The Revenue Interest Agreement is for a period of ten years. Royalty payments are based on a royalty rate of 3.75% of revenues up to a maximum of \$30 million in revenues in any 12 month period. | \$24,804,453 | \$24,701,693 |
| Long-term portion | \$24,804,453 | \$24,701,693 |

In the first quarter of 2016, the Company adopted ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs.” ASU 2015-03 requires debt issuance costs related to recognized debt liabilities to be presented in the balance sheet as a direct deduction from the debt liability rather than an asset. Accordingly, as of March 31, 2016, approximately \$815,000 of deferred debt issuance costs were presented as a direct deduction within Long-Term Debt on the Company’s Condensed Consolidated Balance Sheets. Furthermore, the Company reclassified approximately \$846,000 of deferred debt issuance costs from Other Assets – Deferred Financing Costs to Long-Term Debt as of December 31, 2015.

Term Loan Agreement and Revenue Interest Agreement

On November 12, 2014 (the “Signing Date”), AxoGen, as borrower, and AC, as guarantor, entered into a term loan agreement (the “Term Loan Agreement”) with the lenders party thereto and Three Peaks Capital S.a.r.l. (“Three Peaks”), an indirect wholly-owned subsidiary of Oberland Capital Healthcare Master Fund LP (“Oberland”), as administrative and collateral agent for the lenders thereto. Under the Term Loan Agreement, Three Peaks has agreed to lend to AxoGen a term loan of \$25 million (the “Initial Term Loan”) which has a six year term and requires interest only payments and a final principal payment due at the end of the term. Interest is payable quarterly at 9.00% per annum plus the greater of LIBOR or 1.0% which as of November 13, 2014 (“the Initial Closing Date”) resulted in a 10% interest rate. Under certain conditions, AxoGen has the option to draw an additional \$7 million (the “Subsequent Borrowing” and, together with the Initial Term Loan, the “Term Loan”) during the period of April 1, 2016 through June 29, 2016 (the closing date of each such Subsequent Borrowing, a (“Subsequent Closing Date” and, together with the Initial Closing Date, the “Closing Dates”) under similar terms and conditions. AxoGen has to maintain certain covenants including limiting new indebtedness, restriction of the payment of dividends and maintain certain levels of revenue. Three Peaks has a first perfected security interest in the assets of AxoGen.

In addition, AxoGen entered into a 10 year Revenue Interest Agreement (the “Revenue Interest Agreement”) with Three Peaks. Royalty payments are based on a royalty rate of 3.75% of AxoGen’s revenues up to a maximum of \$30 million in revenues in any 12 month period. In the event the Subsequent Borrowing is drawn, the royalty rate increases proportionally up to a maximum of 4.80% AxoGen has to maintain certain covenants including those covenants under the Term Loan.

Under the Term Loan Agreement, AxoGen has the option at any time to prepay the Term Loan, in whole or in part, and the Royalty Interest Agreement, defined below, by making the following payment, and Three Peaks has the right to demand the following payment upon a change of control of AxoGen, sale of the majority of AxoGen’s assets or a material adverse change to AxoGen: (i) on or prior to the first anniversary of the applicable Closing Date, 120% of the outstanding principal amount of the Term Loan or any portion being prepaid; (ii) after the first anniversary but no later than the second anniversary of the applicable Closing Date, 135% of the outstanding principal amount of the Term Loan or any portion being prepaid; (iii) after the second anniversary but no later than the third anniversary of the applicable Closing Date, 150% of the outstanding principal amount of the Term Loan or any portion being prepaid; or (iv) after the third anniversary of the applicable Closing Date, an amount generating an internal rate of return of 16.25% of the

outstanding principal amount of the Term Loan or any portion being prepaid. In all cases, the amount due is reduced by the sum of interest and principal previously paid and all amounts received under the Revenue Interest Agreement. In each such case AxoGen will also owe an additional 3% of the originally advanced Term Loan amount. Upon payment to Three Peaks, AxoGen would have no further obligations to Three Peaks under the Term Loan or the Revenue Interest Agreement.

In connection with the Term Loan Agreement, on the Signing Date, the Company and AC, its wholly owned subsidiary, entered into a Security Agreement (the "Security Agreement") with Three Peaks, pursuant to which each of the Company and AC grants to Three Peaks a security interest in certain collateral as specified in the Security Agreement to guarantee the payment in full when due of the secured obligations. In the event of default per the terms of the Term Loan Agreement, Three Peaks would have the ability to foreclose on the pledged collateral and the Company and AC would not be able to continue its current business if such foreclosure occurred.

Also in connection with the above transaction, the Company sold 1,375,969 shares of Common Stock to Three Peaks for a total of \$3.55 million ("Three Peaks Equity Sale") at a price of \$2.58 per share. Pursuant to the equity purchase provisions in the Three Peaks Term Loan Agreement, in the event that, prior to November 12, 2016, we sell our securities at a lower price per share than the \$2.58 per share paid by Three Peaks, or where the terms of such subsequent sale are otherwise more favorable, then in such case we have agreed to match the more favorable terms of such subsequent sale with respect to the shares purchased by Three Peaks. A subsequent sale does not include the issuance of securities or options to our employees, officers, directors or consultants pursuant to our approved employee option pool or any other employee stock purchase or option plan existing as of November 12, 2014.

The Company records interest using its best estimate of the effective interest rate. This estimate takes into account both the rate on the Term Loan Agreement and the rate associated with the 10 year Revenue Interest Agreement with Three Peaks. The effective interest rate is based on actual payments to date, projected future revenues and the projected royalty payments and the quarterly interest payments due on the Term Loan Agreement. From time to time, AxoGen will reevaluate the expected cash flows and may adjust the effective interest rate. Determining the effective interest rate requires judgment and is based on significant assumptions related to estimates of the amounts and timing of future revenue streams. Determination of these assumptions is highly subjective and different assumptions could lead to materially different outcomes.

8. Stock Options

The Company granted stock options to purchase 465,500 shares of Common Stock pursuant to the AxoGen Plan for the three months ended March 31, 2016. Stock-based compensation expense was \$182,955 and \$368,249 for the three months ended March 31, 2016 and 2015, respectively. During the quarter ended March 31, 2016, the Company granted stock options to purchase 260,500 shares of Common Stock that are contingent upon certain future events. No stock compensation expense has been recorded for these options due to the uncertainty of those future events. Total future stock compensation expense related to nonvested awards is expected to be approximately \$3,434,000 at March 31, 2016.

9. Public Offering of Common Stock

On February 5, 2015, AxoGen entered into an underwriting agreement with Wedbush Securities Inc. (the "Underwriter") in connection with the offering, issuance and sale (the "February 2015 Offering") of 4,728,000 shares of Common Stock, at a price to the public of \$2.75 per share. The Company also granted to the Underwriter a 30-day option to purchase up to an aggregate of 709,200 additional shares of Common Stock to cover over-allotments, if any.

As of February 13, 2015, the February 2015 Offering was completed with the sale of 5,437,200 shares of common stock, which included the full exercise of the over-allotment option, at \$2.75 per share, resulting in gross proceeds to AxoGen from the February 2015 Offering of approximately \$15.0 million, before deducting underwriting discounts and commissions and other estimated offering expenses payable by AxoGen estimated at approximately \$1.4 million. The shares of common stock were listed on the NASDAQ Capital Market. The February 2015 Offering was made pursuant to the Company's effective shelf registration statement on Form S-3 (Registration No. 333-195588) previously filed with

the SEC on April 30, 2014, and pursuant to the prospectus supplement and the accompanying prospectus describing the terms of the February 2015 Offering, dated February 5, 2015.

On August 26, 2015, the Company entered into the Purchase Agreement with Essex Woodlands Fund IX, L.P. for the purchase of 4,861,111 shares of common stock at a public offering price of \$3.60 per share, raising approximately \$17.5 million in gross proceeds (the “August 2015 Offering”). The expenses directly related to the August 2015 Offering were approximately \$300,000 and were all paid as of December 31, 2015 by the Company. Such expenses include the Company’s legal and accounting fees, printing expenses, transfer agent fees and miscellaneous fees and costs related to the August 2015 Offering. Proceeds from the August 2015 Offering will be used for sales and marketing and general working capital purposes. The Company has provided certain demand and “piggy-back” registration rights in connection with this sale of common stock. The August 2015 Offering was made pursuant to the Company’s effective shelf registration statement on Form S-3 (Registration No. 333-195588) previously filed with the SEC on April 30, 2014 and pursuant to the prospectus supplement and the accompanying prospectus describing the terms of the August 2015 Offering, dated August 26, 2015.

The August 2015 Offering was made pursuant to the Company’s effective shelf registration statement on Form S-3 (Registration No. 333-195588) previously filed with the SEC on April 30, 2014, and pursuant to the prospectus supplement and the accompanying prospectus describing the terms of the Offering, dated August 26, 2015.

10. Commitments and Contingencies

Commercial Lease

On March 16, 2016, AC entered into the Fourth Amendment to Lease (“Fourth Amendment”) with SNH Medical Office Properties Trust, a Maryland real estate investment trust (“SNH”). SNH is the landlord of AC’s currently leased 11,761 square foot corporate headquarters facility in Alachua, Florida (the “Current Premises”) pursuant to that certain lease dated as of February 6, 2007, as amended (the “Lease”).

The Fourth Amendment expands the Current Premises by 7,050 square feet (the “Expansion Premises”). The Fourth Amendment also provides that the Expiration Date (as defined in the Fourth Amendment) of the Lease will be extended to approximately five years from the Occupancy Date (as defined in the Fourth Amendment) of the Expansion Premises, which Occupancy Date is anticipated to occur in June 2016. The original expiration date of the Current Premises remains unchanged; provided, however, that AC shall have the right to extend the Current Premises Term (as defined in the Fourth Amendment) for three additional periods (the “Current Premises Extended Term”), the first such Current Premises Extended Term to commence on November 1, 2018 and end on October 31, 2019, the second such Current Premises Extended Term to commence on November 1, 2019 and end on October 31, 2020, and the third such Current Premises Extended Term to commence on November 1, 2020 and end on the Expiration Date. AC also has the right to extend the term of the then current Leased Premises (as defined in the Fourth Amendment) for an additional period of five years commencing on the day immediately after the Expiration Date. AC’s additional annual cost of the Expansion Premises will be approximately \$123,000, \$127,000, \$131,000, \$135,000 and \$139,000 for years one through five, respectively, of the Lease, with year one commencing on the Occupancy Date.

Processing Agreement

Until February 2016, the Company was party to that certain Amended and Restated Nerve Tissue Processing Agreement (the “LifeNet Agreement”) with LifeNet Health (“LifeNet”), whereby the Company processed and packaged Avance® Nerve Graft using its employees and equipment located at LifeNet in Virginia Beach, Virginia (the “Virginia Beach Facility”). As a result of business requirements of LifeNet and their need for additional space, on April 16, 2015 LifeNet notified the Company that it would need to transition out of the Virginia Beach Facility and the LifeNet Agreement was terminated effective February 27, 2016.

As a result of the termination of the LifeNet Agreement, on August 6, 2015 the Company entered into a License and Services Agreement (the “CTS Agreement”) with Community Blood Center (d/b/a Community Tissue Services) (“CTS”) whose headquarters are located in Dayton, Ohio. The CTS facility and CTS Agreement provides the Company a cost effective, quality controlled and licensed facility to process and package its Avance® Nerve Graft using the

Company's employees and processing equipment. The processing that was performed at the Virginia Beach Facility has been transferred in its entirety to the CTS facility.

The CTS Agreement is for a five-year term, subject to earlier termination by either party for cause, or after the two-year anniversary of the CTS Agreement without cause, upon 18 months notice. Under the CTS Agreement, the Company pays CTS a facility fee for clean room/processing, storage and office space and CTS provides services in support of the Company's processing such as routine sterilization of daily supplies, providing disposable supplies, microbial services and office support. The service fee is based on a per donor batch rate. However, AxoGen could reproduce a manufacturing space that would meet its needs if it no longer continued its relationship with CTS. AxoGen's processing methods and process controls have been developed and validated to ensure product uniformity and quality. Pursuant to the CTS Agreement, AxoGen pays license fees on a monthly basis to CTS which total an annual amount of approximately \$416,000.

11. Retirement Plan

AxoGen 401(k) Plan

The Company adopted the AxoGen 401(k) plan (the "401(k) Plan") in December 2015 with contributions starting in January 2016. All full-time employees who have attained the age of 18 are eligible to participate in the 401(k) Plan. Eligibility is immediate upon employment and enrollment is available any time during employment. Participating employees may make annual pretax contributions to their accounts up to a maximum amount as limited by law. The 401(k) Plan requires the Company to make matching contributions of 3% on the first 3% of the employee's annual salary and 1% of the next 2% of the employee's annual salary as long as the employee participates in the 401(k) Plan and contributes at least 5% of the annual salary. Both employee contributions and Company contributions vest immediately.

ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, all references in this report to “AxoGen,” “the Company,” “we,” “us” and “our” refer to AxoGen, Inc. and its wholly owned subsidiary AxoGen Corporation (“AC”).

OVERVIEW

We are a leading medical technology company dedicated to peripheral nerve repair. We provide products and education to improve surgical treatment algorithms for peripheral nerve injuries. Our portfolio of regenerative medicine products is available in the United States, Canada and several other countries and includes (i) Avance® Nerve Graft, an off-the-shelf processed human nerve allograft for bridging severed nerves without the comorbidities associated with a second surgical site, (ii) AxoGuard® Nerve Connector, a porcine submucosa extracellular matrix (“ECM”) coaptation aid for tensionless repair of severed nerves, and (iii) AxoGuard® Nerve Protector, a porcine submucosa ECM product used to wrap and protect injured peripheral nerves and reinforce the nerve reconstruction while preventing soft tissue attachments. Along with these core surgical products, we also offer the AxoTouch™ Two-Point Discriminator and the AcroVal™ Neurosensory and Motor Testing System. These evaluation and measurement tools assist healthcare professionals in detecting changes in sensation, assessing return of sensory, grip and pinch function, evaluating effective treatment interventions, and providing feedback to patients.

Revenue from the distribution of these products is the main contributor to AxoGen’s total reported sales and has been the key component of its growth to date. AxoGen’s revenues increased in the first three months of 2016 compared to 2015 primarily as a result of increased product usage by existing accounts. This increase is consistent with AxoGen’s sales strategy of focusing largely on growing product usage in its existing accounts. New accounts are developed and become existing accounts that are grown over time.

AxoGen has continued to broaden its sales and marketing activity. This activity is expected to result in additional revenue growth in the long term. In the near term, revenue growth lags behind the increased expenses for market development, such as hiring and training of new sales representatives and surgeon education programs.

Results of Operations

Comparison of the Three Months Ended March 31, 2016 and 2015

Revenues

Revenues for the three months ended March 31, 2016 increased 63.8% to approximately \$8,112,000 as compared to approximately \$4,951,000 for the three months ended March 31, 2015. This increase was primarily a result of our strategy of focusing largely on growing product usage in our existing accounts and to a lesser extent the establishment of new accounts. With regards to new accounts, each new customer in a defined period has the potential to become an established customer with repeat orders and increased account penetration. As such, revenue growth primarily occurs from increased purchasing from established customers, while revenue from new customers is usually small as they ramp up purchasing and become existing customers. Each new period of measurement is thus benefited from growth in existing customer accounts which include those that were new customers in the prior measurement period. Finally, AxoGen recognized approximately \$46,000 and \$142,000 of grant revenue for the three months ended March 31, 2016 and 2015, respectively, which decrease is a result of grants maturing and less activity being associated with them that can be billed by the Company.

Gross Profit

Gross profit for the three months ended March 31, 2016 increased 69.0% to approximately \$6,706,000 as compared to approximately \$3,968,000 for the three months ended March 31, 2015. Such increase in aggregate dollars was primarily attributable to the increased revenues in the first quarter of 2016, and to a lesser extent by an improvement in gross margin. Gross margin improved to 82.7% for the three months ended March 31, 2016 as compared to 80.1% for the same period in 2015 as a result of processing efficiencies and favorable product mix as a result of changes both within and between product lines.

Costs and Expenses

Total cost and expenses increased 43.3% to approximately \$9,329,000 for the three months ended March 31, 2016 as compared to approximately \$6,512,000 for the three months ended March 31, 2015. These increases were primarily due to increased sales and marketing activities and costs associated with increased revenue, along with an increase in employee compensation expenses and research and development costs as the Company enrolls patients in its clinical trial for the Avance® Nerve Graft.

Sales and marketing expenses increased 57.8% to approximately \$6,206,000 for the three months ended March 31, 2016 as compared to approximately \$3,933,000 for the three months ended March 31, 2015. This increase was primarily due to the costs associated with the continued expansion of our direct sales force and surgeon education programs, and to a lesser extent increased support for both our direct sales force and independent distributors and marketing research and activity with respect to new products and markets. As a percentage of revenues, sales and marketing expenses were 76.5% for the three months ended March 31, 2016 compared to 79.4% for the three months ended March 31, 2015. Such lower sales and marketing expenses as a percentage of revenue were a result of the revenue increase outpacing increases in costs and expenses.

General and administrative expenses increased 12.4% to approximately \$2,145,000 for the three months ended March 31, 2016 as compared to approximately \$1,909,000 for the three months ended March 31, 2015. Such increase was primarily a result of increased expenses related to employee compensation and professional service fees. Also contributing, to a lesser extent, to the rise in such general and administrative expenses was an increase in bad debt allowance to adjust for greater account receivables as revenues increase and bank charges related to sales activity also increased, offset by a reduction in travel expenses and certain outside service costs. As a percentage of revenues, general and administrative expenses were 26.4% for the three months ended March 31, 2016 as compared to 38.6% for the three months ended March 31, 2015. Such lower general and administrative expenses as a percentage of revenue were a result of the revenue increase outpacing increases in costs and expenses.

Research and development expenses increased approximately 45.8% to approximately \$978,000 for the three months ended March 31, 2016 as compared to approximately \$671,000 for the three months ended March 31, 2015. Research and development costs include AxoGen's product development and clinical efforts including the Multicenter, Prospective, Randomized, Subject and Evaluator Blinded Comparative Study of Nerve Cuffs and Avance® Nerve Graft Evaluating Recovery Outcomes for the Repair of Nerve Discontinuities ("RECON") study, the phase 3 trial to support the Company's Biologic License Application ("BLA"). This activity varies from quarter to quarter due to the timing of certain projects and patient enrollment in RECON. The increase in expenses for 2016 relate to expenditures for RECON and hiring additional personal to support both RECON and product development activity, offset by reduced costs of the Company's RANGER® Registry and certain projects that have been completed or are near completion. It is expected that costs associated with RECON will continue to increase as more patients are enrolled in the trial over approximately the next two years and activity increases to prepare and submit the BLA at the completion of RECON. Although AxoGen's products are developed for sale in their current use, it does conduct research and product development efforts focused on new products and new applications for existing products. AxoGen is active in pursuing research grants to support this research. The Company's product pipeline development also contributed to a portion of the research and development expenses in 2016, with grant revenue offsetting a portion of this activity. Grant revenue has been decreasing as grants have matured and there can be no assurance that new grants providing additional grant revenue will be obtained. As a percentage of revenues, research and development expenses for the three months ended March 31, 2016 were 12.1% as compared to 13.6% for the three months ended March 31, 2015.

Other Income and Expenses

Interest expense increased 0.8% to approximately \$1,003,000 for the three months ended March 31, 2016 as compared to approximately \$995,000 for the three months ended March 31, 2015. This increase was due to the difference in the interest generated by increased revenues related to the Revenue Interest Agreement with Three Peaks. As a result of the accounting treatment for the Three Peaks transaction, interest expense included approximately \$103,000 and \$183,000 for the three months ended March 31, 2016 and 2015, respectively, of non-cash expense that is based upon the terms of the Three Peaks transaction and increases in AxoGen revenues. Other than the \$103,000 and \$183,000 non-cash expense,

the remaining \$900,000 and \$812,000 in interest expense for the three months ended March 31, 2016 and 2015, respectively, is related to cash paid for interest on the Term Loan Agreement.

Interest expense—deferred financing costs decreased 8.8% to approximately \$31,000 for the three months ended March 31, 2016 as compared to approximately \$34,000 for the three months ended March 31, 2015. This decrease is primarily due to lower deferred financing cost amortization associated with the Revenue Interest Agreement. Additionally, the deferred financing fees associated with the Revenue Interest Agreement are amortized over 10 years.

Income Taxes

The Company had no income tax expenses or income tax benefit for each of the three months ended March 31, 2016 and 2015 due to incurrence of net operating loss in each of these periods.

Effect of Inflation

Inflation has not had a significant impact on the Company's operations or cash flow during the fiscal years ended 2014 or 2015.

Liquidity and Capital Resources

Term Loan Agreement and Revenue Interest Agreement

On November 12, 2014, AxoGen, as borrower, and AC, as guarantor, entered into the Term Loan Agreement with the lenders party thereto and Three Peaks, as administrative and collateral agent for the lenders party thereto. Under the Term Loan Agreement, Three Peaks has agreed to lend to AxoGen the Initial Term Loan which has a six year term and requires interest only payments and a final principal payment due at the end of the term. Interest is payable quarterly at 9.00% per annum plus the greater of LIBOR or 1.0% which as of the Initial Closing Date resulted in a 10% interest rate. Under certain conditions, AxoGen has the option to draw an additional \$7 million as a Subsequent Borrowing during the period of April 1, 2016 through June 29, 2016 under similar terms and conditions. AxoGen has to maintain certain covenants including limiting new indebtedness, restriction of the payment of dividends and maintain certain levels of revenue. Three Peaks has a first perfected security interest in the assets of AxoGen.

In addition, AxoGen entered into a 10 year Revenue Interest Agreement with Three Peaks. Royalty payments are based on a royalty rate of 3.75% of AxoGen's revenues up to a maximum of \$30 million in revenues in any 12 month period. In the event the Subsequent Borrowing is drawn, the royalty rate increases proportionally up to a maximum of 4.80%. AxoGen has to maintain certain covenants including those covenants under the Term Loan.

Under the Term Loan Agreement, AxoGen has the option at any time to prepay the Term Loan, in whole or in part, and the Royalty Interest Agreement by making the following payment, and Three Peaks has the right to demand the following payment upon a change of control of AxoGen, sale of the majority of AxoGen's assets or a material adverse change to AxoGen: (i) on or prior to the first anniversary of the applicable Closing Date, 120% of the outstanding principal amount of the Term Loan or any portion being prepaid; (ii) after the first anniversary but no later than the second anniversary of the applicable Closing Date, 135% of the outstanding principal amount of the Term Loan or any portion being prepaid; (iii) after the second anniversary but no later than the third anniversary of the applicable Closing Date, 150% of the outstanding principal amount of the Term Loan or any portion being prepaid; or (iv) after the third anniversary of the applicable Closing Date, an amount generating an internal rate of return of 16.25% of the outstanding principal amount of the Term Loan or any portion being prepaid. In all cases, the amount due is reduced by the sum of interest and principal previously paid and all amounts received under the Revenue Interest Agreement. In each such case AxoGen will also owe an additional 3% of the originally advanced Term Loan amount. Upon payment to Three Peaks, AxoGen would have no further obligations to Three Peaks under the Term Loan or the Revenue Interest Agreement.

In connection with the Term Loan Agreement, on the Signing Date, the Company and AC entered into the Security Agreement with Three Peaks, pursuant to which each of the Company and AC grants to Three Peaks a security interest in certain collateral as specified in the Security Agreement to guarantee the payment in full when due of the secured

obligations. In the event of default per the terms of the Term Loan Agreement, Three Peaks would have the ability to foreclose on the pledged collateral and the Company and AC would not be able to continue its current business if such foreclosure occurred.

Also in connection with the above transaction, the Company sold 1,375,969 shares of Common Stock to Three Peaks for a total of \$3.55 million at a price of \$2.58 per share. Pursuant to the equity purchase provisions in the Three Peaks Term Loan Agreement, in the event that prior to November 12, 2016, we sell our securities at a lower price per share than the \$2.58 per share paid by Three Peaks, or where the terms of such subsequent sale are otherwise more favorable, then in such case we have agreed to match the more favorable terms of such subsequent sale with respect to the shares purchased by Three Peaks. A subsequent sale does not include the issuance of securities or options to our employees, officers, directors or consultants pursuant to our approved employee option pool or any other employee stock purchase or option plan existing as of November 12, 2014.

As a result of the accounting treatment for the Three Peaks transaction, interest expense included approximately \$103,000 and \$183,000 for the three months ended March 31, 2016 and 2015, respectively, of non-cash expense that is based upon the terms of the Three Peaks transaction and increases in AxoGen revenues. Other than the \$103,000 and \$183,000 non-cash expense, the remaining \$900,000 and \$812,000 in interest expense for the three months ended March 31, 2016 and 2015, respectively, is related to cash paid for interest on the Term Loan Agreement.

The Company records interest using its best estimate of the effective interest rate. This estimate takes into account both the rate on the Term Loan Agreement and the rate associated with the 10 year Revenue Interest Agreement with Three Peaks. The effective interest rate is based on actual payments to date, projected future revenues and the projected royalty payments and the quarterly interest payments due on the Term Loan Agreement. From time to time, AxoGen will reevaluate the expected cash flows and may adjust the effective interest rate. Determining the effective interest rate requires judgment and is based on significant assumptions related to estimates of the amounts and timing of future revenue streams. Determination of these assumptions is highly subjective and different assumptions could lead to materially different outcomes.

The Company had no material commitments for capital expenditures at March 31, 2016.

Public Offering of Common Stock

On February 5, 2015, AxoGen entered into an underwriting agreement with the Underwriter in connection with the February 2015 Offering. The Company also granted to the Underwriter a 30-day option to purchase up to an aggregate of 709,200 additional shares of Common Stock to cover over-allotments, if any.

As of February 13, 2015, the February 2015 Offering was completed with the sale of 5,437,200 shares of Common Stock, which included the full exercise of the over-allotment option, at \$2.75 per share, resulting in gross proceeds to AxoGen from the February 2015 Offering of approximately \$15.0 million, before deducting underwriting discounts and commissions and other estimated offering expenses payable by AxoGen estimated at approximately \$1.4 million. The shares of Common Stock were listed on the NASDAQ Capital Market.

The February 2015 Offering was made pursuant to the Company's effective shelf registration statement on Form S-3 (Registration No. 333-195588) previously filed with the SEC on April 30, 2014, and pursuant to the prospectus supplement and the accompanying prospectus describing the terms of the Offering, dated February 5, 2015.

On August 26, 2015, the Company entered into the Purchase Agreement with ESSEX WOODLANDS for the purchase of 4,861,111 shares of Common Stock at a public offering price of \$3.60 per share, raising approximately \$17.5 million in gross proceeds before deducting expenses related to the August 2015 Offering. The expenses directly related to the August 2015 Offering were approximately \$300,000 and were paid by the Company. Such expenses include the Company's legal and accounting fees, printing expenses, transfer agent fees and miscellaneous fees and costs related to the August 2015 Offering. Proceeds from the August 2015 Offering will be used for sales and marketing and general working capital purposes. The Company has provided certain demand and "piggy-back" registration rights in connection with this sale of Common Stock. The August 2015 Offering was made pursuant to the Company's effective shelf registration statement on Form S-3 (Registration No. 333-195588) previously filed with the SEC on April 30, 2014, and pursuant to the prospectus supplement and the accompanying prospectus describing the terms of the Offering, dated August 26, 2015.

Cash Flow Information

AxoGen had working capital of approximately \$27.69 million and a current ratio of 8.36 at March 31, 2016, compared to working capital of \$31.34 million and a current ratio of 9.45 at December 31, 2015. The decrease in working capital and the current ratio at March 31, 2016 as compared to December 31, 2015 was primarily due to the use of working capital to fund operations, including the purchase of certain equipment related to the distribution and processing facilities. The Company believes it has sufficient cash resources to meet its liquidity requirements for at least the next 12 months.

AxoGen's future capital requirements depend on a number of factors, including, without limitation, continued adoption of our products by surgeons and growth of our revenues, continued expansion and development of our direct sales force, expenses associated with our professional education programs, maintaining our gross margins, expenses related to our facilities for production and distribution of products and general market conditions. AxoGen could face increasing capital needs depending on the extent to which AxoGen is unable to increase revenues.

If AxoGen needs additional capital in the future, it may raise additional funds through public or private equity offerings, debt financings or from other sources. The sale of additional equity would result in dilution to AxoGen's shareholders. There is no assurance that AxoGen will be able to secure funding on terms acceptable to it, or at all. The increasing need for capital could also make it more difficult to obtain funding through either equity or debt. Should additional capital not become available to AxoGen as needed, AxoGen may be required to take certain action, such as, slowing sales and marketing expansion, delaying regulatory approvals or reducing headcount.

During the three months ended March 31, 2016, the Company had a net decrease in cash and cash equivalents of approximately \$4,961,000 as compared to a net increase of cash and cash equivalents of approximately \$11,040,000 for the three months ended March 31, 2015. The Company's principal sources and uses of funds are explained below:

Cash used in operating activities

The Company used approximately \$4,609,000 of cash for operating activities for the three months ended March 31, 2016, as compared to using approximately \$2,514,000 of cash for operating activities for the three months ended March 31, 2015. This increase in cash used in operating activities is primarily attributable to the increase in accounts receivable, inventory and prepaid expenses accompanied by the net loss generated for the three months ended March 31, 2016, offset by the increase in our accounts payable and accrued expenses.

Cash used for investing activities

Investing activities for the three months ended March 31, 2016 used approximately \$488,000 of cash as compared to using approximately \$38,000 of cash for the three months ended March 31, 2015. This increase in use is principally attributable to the non-recurrence of purchases of certain fixed assets for the expansion of the worldwide distribution facility in Burleson, Texas and the certain fixed assets purchased for the new processing facility in Dayton, OH.

Cash provided by financing activities

Financing activities for the three months ended March 31, 2016 provided approximately \$137,000 of cash as compared to providing approximately \$13,592,000 of cash for the three months ended March 31, 2015. The cash provided in the three months ended March 31, 2015 was due to proceeds received from the February 2015 Offering.

Off-Balance Sheet Arrangements

AxoGen does not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports we file or submit 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, and Board of Directors, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance of achieving the desired objectives, and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Our management, including our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2016 and concluded that our disclosure controls and procedures were effective.

Changes in Internal Controls Over Financial Reporting

During the three months ended March 31, 2016, there were no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

**UNITED STATES
PART II –OTHER INFORMATION**

ITEM 1 – LEGAL PROCEEDINGS

The Company is not a party to any material litigation as of March 31, 2016.

ITEM 1A - RISK FACTORS

The Company faces a number of risks and uncertainties. In addition to the other information in this report and the Company's other filings with the SEC, readers should consider carefully the risk factors discussed in Part I "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2015. There have been no material changes to these risk factors. If any of these risks actually occur, the Company's business, results of operations or financial condition could be materially adversely affected.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS

| Exhibit Number | Description |
|-------------------|--|
| 10.1*† | Executive Employment Agreement, dated as of February 25, 2016, by and between AxoGen Corporation and Peter Mariani. |
| 10.2* | Executive Employment Agreement, dated as of March 11, 2016, by and between AxoGen Corporation and Kevin Leach (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 14, 2016). |
| 10.3 | Fourth Amendment to Lease, dated as of March 16, 2016, by and between AxoGen Corporation and SNH Medical Office Properties Trust (incorporated by reference to Exhibit 10.10.4 to the Company's Current Report on Form 8-K filed on March 18, 2016). |
| 31.1† | Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2† | Certification of Principle Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32†† | Certification Pursuant to 18 U.S.C. §1350, as Adopted 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 Extension Labels Linkbase. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

* Management contract or compensatory plan or arrangement.

† Filed herewith.

†† Furnished herewith.

SIGNATURES

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

AXOGEN, INC.

Dated May 4, 2016

/s/ Karen Zaderej

Karen Zaderej
Chief Executive Officer
(Principal Executive Officer)

/s/ Peter J. Mariani

Peter J. Mariani
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
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* Management contract or compensatory plan or arrangement.

† Filed herewith.

†† Furnished herewith.

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement"), effective as of February 25, 2016, is made by and between AXOGEN CORPORATION, a Delaware corporation ("AXOGEN" or "Employer"), and Peter Mariani ("Employee"), whose resident address is 4220 Creekside Pass, Zionsville, IN 46077 (collectively, the "Parties").

RECITALS:

A. WHEREAS, AXOGEN believes it is in its best interest to employ Employee, and Employee desires to be employed by AXOGEN; and

B. WHEREAS, AXOGEN and Employee desire to set forth the terms and conditions on which Employee shall be employed by and perform duties on behalf of AXOGEN.

NOW, THEREFORE, in consideration of the promises set forth in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which is acknowledged by this Agreement, the Parties to this Agreement, intending to be legally bound, agree as follows:

1. Employment. AXOGEN hereby employs Employee, and Employee hereby accepts such employment, beginning March 1, 2016, all upon the terms and conditions set forth in this Agreement, including those set forth in the attached Schedules and Exhibits.

(a) Duties of Employee. The duties of Employee are set forth on Schedule 1 of this Agreement, which is attached hereto and incorporated herein by reference.

(b) Compensation and Benefits. The compensation and benefits to which Employee may be entitled pursuant to this Agreement are set forth on Schedule 2 of this Agreement, which is attached hereto and incorporated herein by reference.

2. Invention Assignment and Confidentiality Agreement. Contemporaneously with the execution and delivery of this Agreement, Employee shall enter into an Invention Assignment and Confidentiality Agreement attached hereto as Exhibit "A" to this Agreement (the "Invention and Confidentiality Agreement"), which shall be incorporated herein by reference.

3. Non-Competition Agreement. Contemporaneously with the execution and delivery of this Agreement, Employee shall enter into a Non-Solicitation and Non-Competition Agreement attached hereto as Exhibit "B" to this Agreement (the "NSNC Agreement") which shall be incorporated herein by reference.

4. Termination.

(a) At-will. Either AXOGEN or Employee may terminate this Agreement at any time during the course of Employee's employment and for any reason, upon giving written notice to the other party. Employer shall have no further liability or obligation to Employee other than to pay for services rendered through Employee's last date of employment. If Employee elects to terminate this Agreement and provides Employer with any notice period prior to the date of termination, Employer may elect to terminate this Agreement immediately thereon and incur no further obligation to Employee other than for wages worked through the date of termination of this Agreement. It is the intention of the Parties that at all times this shall be an at-will

employment relationship during the course of Employee's employment with Employer. Nothing contained in this Agreement shall be deemed or construed to create a contractual relationship between the Parties for a specific duration of time.

(b) Death. In the event of the death of the Employee, this Agreement shall terminate on the date of Employee's death, without any liability to or upon the Employer other than to pay for services rendered prior to the date of the Employee's death.

(c) Permanent Disability. For purposes of this Agreement, the term "Permanent Disability" shall mean a physical or mental incapacity of Employee, which renders Employee unable to perform Employee's duties pursuant to this Agreement, and which shall continue for ninety (90) consecutive days or one hundred and eighty (180) days during any twelve month period. If AXOGEN or Employee terminates Employee's employment by reason of Permanent Disability of Employee, this Agreement shall terminate immediately upon written notice by AXOGEN to Employee, or the date Employee gives notice to terminate employment to AXOGEN, without any liability to or upon the Employer other than to pay for services rendered through the termination date.

5. Change in Control.

(a) Definition. For the purposes of this Agreement, a "Change in Control" shall mean the occurrence of any of the following events:

(i) any "person" (as that term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), who holds less than twenty percent (20%) of the combined voting power of the securities of AXOGEN or its parent company AxoGen, Inc. ("INC."), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of AXOGEN or INC. representing fifty percent (50%) or more of the combined voting power of the securities of either AXOGEN or INC. then outstanding; or

(ii) during any period of twenty-four (24) consecutive months, individuals, who, at the beginning of such period constitute all members of the Board of Directors of INC. (the "Board") and cease, for any reason, to constitute at least a majority of the Board, unless the election of each director who was not a director at the beginning of the period was either nominated for election by, or approved by a vote of, at least two-thirds of the directors then still in office who were directors at the beginning of the period; or

(iii) AXOGEN or INC. consolidates or merges with another company, and AXOGEN or INC. is not the continuing or surviving corporation, provided, however, that any consolidation or merger whereby INC. continues as the majority holder of AXOGEN securities or a merger or consolidation of AXOGEN and INC. will not constitute a Change in Control; or

(iv) shares of AXOGEN's or INC.'s common stock are converted into cash, securities, or other property, other than by a merger of AXOGEN or INC., pursuant to Section 5(a)(iii), in which the holders of AXOGEN's or INC.'s common stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation as immediately after the merger; or

(v) AXOGEN or INC. sells, leases, exchanges, or otherwise transfers all, or substantially all, of its assets (in one transaction or in a series of related transactions), provided, however, that any such transaction related to AXOGEN whereby INC. continues as the majority holder of AXOGEN securities or INC. is the sole other party to the transaction, will not constitute a Change in Control; or

(vi) the holders of AXOGEN's or INC.'s stock approve a plan or proposal for the liquidation or dissolution of AXOGEN or INC.

(b) Severance.

(i) Termination in Connection with a Change of Control. In the event of Employee's termination of employment by AXOGEN without Substantial Cause (as defined below) upon or within one hundred and eighty (180) days following a Change in Control or by Employee for Good Reason (as defined below), Employee will be entitled to a severance payment consisting of twelve (12) months of Employee's base salary, an amount equal to any bonuses paid to Employee during the twelve (12) month period prior to Employee's termination of employment. However, if such termination occurs prior to payment of a bonus for the year ended December 31, 2016, Employee will receive the prorated estimated bonus earned as of the date of the Employee's termination of employment. For purposes of this Agreement, "Substantial Cause" means: (A) the commission by Employee of any act of fraud, theft, or embezzlement; (B) any material breach by Employee of this Agreement, provided that AXOGEN shall have first delivered to Employee written notice of the alleged breach, specifying the exact nature of the breach in detail, and provided, further, that Employee shall have failed to cure or substantially mitigate such breach within ten (10) days after receiving such written notice; (C) commission or conviction of any felony, or of any misdemeanor involving moral turpitude, or entry of a plea of guilty or nolo contendere to any felony or misdemeanor; (D) material failure to adhere to AXOGEN's corporate codes, policies or procedures which have been adopted in good faith for a valid business purpose as in effect from time to time; or (E) failure to meet reasonable performance standards as determined by AXOGEN. For purposes of this Agreement, "Good Reason" shall mean Employee's resignation from employment upon or within ninety (90) days following a Change of Control, if AXOGEN or INC. is not the surviving entity, provided that Substantial Cause for termination of Employee's employment does not exist at the time of such resignation and the resignation is the result of the occurrence of any one or more of the following:

a) the assignment to Employee of any duties inconsistent in any respect with his/her position (including status, offices, titles, and reporting requirements), authorities, duties, or other responsibilities as in effect immediately prior to the Change in Control of the Company or any other action of the Company which results in a diminishment in such position, authority, duties, or responsibilities, other than an insubstantial and inadvertent action which is remedied by the Company promptly after receipt of notice thereof given by Employee;

b) a reduction by AXOGEN in Employee's base salary as in effect on the date hereof and as the same shall be increased from time to time hereafter;

c) the failure by AXOGEN to (A) continue in effect any material compensation or benefit plan, program, policy or practice in which Employee was participating at the time of the Change in Control of the Company or (B) provide Employee with compensation and benefits at least equal (in terms of benefit levels and/or reward opportunities) to those provided for under each employee benefit plan, program, policy and practice as in effect immediately prior to the Change in Control of the Company (or as in effect following the Change in Control of the Company, if greater.

(ii) Termination not in Connection with a Change of Control . In the event of Employee's termination of employment by AXOGEN without Substantial Cause prior to a Change of Control, Employee shall be entitled to a severance payment consisting of (A) twelve (12) months of Employee's base salary; and (B) an amount equal to any bonuses paid to Employee during the twelve (12) month period prior to Employee's termination of employment. However, if such termination occurs prior to payment of a bonus for the year ended December 31, 2016, Employee will receive the prorated estimated bonus earned as of the date of the Employee's termination of employment. Notwithstanding anything to the contrary contained in this Section 5(b)(ii), no severance payment will be owed to Employee if Employee is terminated by AXOGEN for any reason (with or without cause) within six months of the first date of Employees employment with AXOGEN.

(c) Payment of Severance. As a condition of receiving any severance under this section 5, Employee and must sign (and not revoke) a separation, waiver and release agreement (to be prepared by the company at the time of Employees termination) of all claims (known and unknown) against the Company arising out of or relating to his employment with the Company or termination thereof, excluding claims for severance under this section 5, as well as any other terms and conditions required by the company. Payment of any severance for Employee will be made in a lump sum on the first payroll date following the 60th day following the date of Employee's termination of employment. Notwithstanding the foregoing, if the Employee is a "specified employee" on Employee's termination date, the postponement provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), as described in Section 8(n) below, shall apply, if applicable.

So long as the Company is subject to federal COBRA and Employee timely elects continuation coverage under COBRA, the Company shall pay the premiums for the Employee and his covered dependent's COBRA (i) for the first twelve (12) months of the COBRA continuation period, or (ii) until such time as the Employee obtains new employment that provides reasonable and comparable health care coverage (including without limitation, coverage of dependents), whichever period is shorter. Employee has the duty to immediately notify the Company, in writing, if the event in (ii) above occurs.

6. Surrender of Records and all Company Property. Upon the termination of Employee's employment for any reason, whether by AXOGEN or Employee, Employee agrees to return to AXOGEN, in good condition, (i) any and all equipment belonging to AXOGEN including, without limitation, computers, cell phones, and personal digital assistants, and (ii) any and all data, computer files, customer lists and contact information, documents and other materials in Employee's possession, or removed by Employee from AXOGEN's premises, whether now in Employee's possession or not, which materials were obtained in connection with Employee's employment with AXOGEN, including any and all copies (whether complete or partial) and extracts thereof, and (iii) any and all other company property or Confidential Information and materials as they are defined in Employee's Invention Assignment and Confidentiality Agreement, in the Employee's control or possession.

7. Miscellaneous Provisions.

(a). Amendments to this Agreement only in Writing. The provisions of this Agreement and the attached Schedules and Exhibits shall only be amended, supplemented, or waived by a written agreement executed by both a duly authorized officer of AXOGEN and Employee.

(b). Assignments. Employee shall not assign Employee's rights and/or obligations pursuant to this Agreement or the attached Schedules and Exhibits. AXOGEN may assign its rights and/or obligations pursuant to this Agreement and the attached Schedules and Exhibits at any time without prior notice to Employee. In the event of a Change of Control in which AXOGEN or INC. is not the surviving entity, any reference to AXOGEN or INC. shall be deemed to refer to the surviving entity.

(c). Binding Effect. All of the terms and provisions of this Agreement and the attached Schedules and Exhibits, whether so expressed or not, shall be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective administrators, executors, legal representatives, heirs, successors and permitted assigns.

(d). The Provisions of this Agreement are Severable. If any part of this Agreement, or any of the Schedules or Exhibits entered into pursuant to this Agreement, is contrary to, prohibited by, or deemed invalid under any applicable law or regulation, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder of this Agreement and its Schedules and Exhibits shall not be so invalidated, and shall be given full force and effect so far as possible.

(e). Survival. Notwithstanding anything to the contrary in this Agreement, the provisions of Sections 1 through 7 shall survive and remain in effect beyond the execution and delivery of this Agreement in accordance with their respective terms of duration.

(f). Waivers. The failure or delay of AXOGEN at any time to require performance by Employee of any provision of this Agreement or the attached Schedules and Exhibits, even if known, shall not affect the right of AXOGEN to require performance of that provision or to exercise any right, power or remedy pursuant to this Agreement or the attached Schedules and Exhibits. Any waiver by AXOGEN of any breach of any provision of this Agreement or the attached Schedules and Exhibits shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power or remedy pursuant to this Agreement or the attached Schedules and Exhibits.

(g). Notices. All notices, requests, consents and other communications required or permitted under this Agreement shall be in writing and shall be (i) hand-delivered by messenger or courier service; (ii) sent by an overnight-mail service (e.g. FedEx or UPS); or (iii) mailed (airmail, if international) by registered or certified mail (postage prepaid), return receipt requested, and addressed to:

If to Employee:

Employee's most current address on file with AXOGEN .

If to AXOGEN:

With a copy to:

AXOGEN Corporation
13631 Progress Blvd., Ste. 400
Alachua, FL 32615
Attn: CEO

AXOGEN Corporation
13631 Progress Blvd., Ste. 400
Alachua, FL 32615
Attn: Human Resources

or to such other address as any party may designate by written notice complying with the terms of this section. Each such notice shall be deemed delivered (a) on the date delivered, if by personal delivery, or (b) on the date upon which the return receipt is signed, delivery is refused, or the notice is designated by the postal authorities as not deliverable, as the case may be, if mailed.

(h). Governing Law. This Agreement and the attached Schedules and Exhibits and all transactions contemplated by this Agreement or the attached Schedules and Exhibits shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Florida, without regard to principles of conflicts of laws.

(i). Jurisdiction and Venue. The Parties acknowledge that a substantial portion of negotiations, anticipated performance and execution of this Agreement and the attached Schedules and Exhibits occurred, or shall occur, in Alachua County, Florida, and the Parties irrevocably and unconditionally (a) agree that any suit, action or legal proceeding arising out of, or relating to, this Agreement or the attached Schedules and Exhibits shall be brought in the courts of record of the State of Florida in Alachua County, or the United States District Court, Northern District of Florida, Gainesville Division; (b) consent to the jurisdiction of each such court in any such suit, action or proceeding; (c) waive any objection which they may have to the laying of venue of any such suit, action or proceeding in any of such courts; and (d) agree that service of any court paper may be effected on such party by mail, as provided in this Agreement, or in such other manner as may be provided under applicable laws or court rules in said state.

(j). Remedies Available to Either Party Cumulative. No remedy conferred upon any party pursuant to this Agreement (or the attached Schedules and Exhibits) is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement (or the attached Schedules and Exhibits) now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement (or the attached Schedules and Exhibits) shall preclude any other or further exercise of such right, power or remedy.

(k). Entire Agreement. This Agreement and the attached Schedules and Exhibits represents the entire understanding and agreement between the Parties with respect to the

subject matter contained herein and supersedes all other negotiations, understandings and representations (if any) made by and between the Parties.

(l). Section and Paragraph Headings. Section and paragraph headings used throughout this Agreement and the attached Schedules and Exhibits are for convenience of reference only and in no way define, limit or describe the scope or intent of this Agreement or the attached Schedules and Exhibits .

(m). Preparation of Agreement. This Agreement shall not be construed more strongly against any party regardless of who is responsible for its preparation. The Parties acknowledge that each party contributed to its negotiations and is equally responsible for its preparation.

(n). Section 409A of the Code. Notwithstanding any provision of this Agreement to the contrary, this Agreement is intended to meet the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") to the extent applicable, the Parties intend to administer this Agreement in a manner that is consistent with those requirements or an exception thereto, and this Agreement shall be construed and interpreted in accordance with such intent. Any payments that are considered deferred compensation under Section 409A of the Code and that are paid to a "specified employee" (as defined in Section 409A of the Code) upon separation from service shall be subject to a six (6) month delay, if required by Section 409A of the Code. If required by Section 409A of the Code, any amounts otherwise payable during the six (6) month period that commences on and follows the Employee's termination date shall be paid in one lump sum amount on the first payroll date following the six (6) month period following the Employee date of termination (or within thirty (30) days of the Employee's death, if earlier). For purposes of Section 409A of the Code, all payments to be made upon a termination of employment under this Agreement may only be made upon a "separation from service" (within the meaning of such term under Section 409A of the Code). Each payment made under this Agreement shall be treated as a separate payment. In no event shall the Employee, directly or indirectly, designate the calendar year of a payment. All reimbursements under this Agreement shall be provided in a manner that complies with Section 409A of the Code, if applicable. If required by regulations or other guidance issued under Section 409A of the Code or a court of competent jurisdiction, the provisions regarding payments hereunder shall be amended to provide for such payments to be made at the time allowed under such regulations, guidance or authority that most closely achieves the intent of this Agreement.

(o) Liability Insurance. AXOGEN shall cover the Employee under directors and officers liability insurance both during the term of this Agreement and for the one year period following the termination of this Agreement, in the same amount and to the same extent as AXOGEN covers its officers and directors.

[Signature Page Follows]

EMPLOYEE AND AXOGEN have executed this Agreement as of the 25th day of February, 2016.

AXOGEN CORPORATION

/s/Karen Zaderej

Name: Karen Zaderej

Title: CEO

EMPLOYEE:

/s/Peter Mariani

Peter Mariani

SCHEDULE AND EXHIBIT LIST

Schedule 1 - Duties of Employee

Schedule 2 - Compensation and Benefits

Exhibit A - Invention Assignment and Confidentiality Agreement

Exhibit B - Non-Solicitation and Non-Competition Agreement

**SCHEDULE 1
DUTIES OF EMPLOYEE**

The duties of Employee with AXOGEN CORPORATION ("AXOGEN" or "Employer") are as follows:

1. Employee's Title: AXOGEN hereby employs Employee as Chief Financial Officer, which title may change at AXOGEN's discretion. EMPLOYEE will also be appointed Chief Financial Officer and Treasurer of INC.

2. Employee's Duties: During employment with AXOGEN, Employee's duties will include, without limitation, the following:

(a) Description of Duties. Employee shall perform all duties in connection with Employee's position, or as otherwise designated by AXOGEN, including, without limitation, the following duties:

Provide both operational and programmatic support to AXOGEN and INC. Supervise the finance unit and act as chief financial spokesperson for AXOGEN and INC. Directly assist on all strategic and tactical matters as they relate to budget management, cost benefit analysis, forecasting needs, financial statements, investor relations, and the securing of new funding or restructuring of current financing facilities. As a member of the senior management team, be involved in strategic planning, evaluation, and professional development initiatives.

(b) Report to AXOGEN Designated Manager. Employee shall report to the CEO of AXOGEN.

(c) Compliance With Employee Policies and Procedures. Employee shall comply with all AXOGEN policies and procedures for employees as such policies and procedures may exist from time to time.

(d) No Other Business Activities.

(i) Employee shall devote Employee's entire professional time, energy and skill to the performance of Employee's duties pursuant to the Agreement, the service of AXOGEN, and promotion of AXOGEN's interests. The Parties agree that Employee may not during Employee's employment, except as permitted in writing by AXOGEN, be engaged in any other business activity, whether or not such activity is pursued for gain, profit, or other pecuniary advantage including, without limitation, management or management consulting activities.

(ii) Notwithstanding the preceding subsection, Employee may invest Employee's personal assets in businesses or real estate that are not in competition with AXOGEN where the form or manner of such investment will not require services on the part of Employee, and in which Employee's participation is solely that of a passive investor.

(e) Compliance with AXOGEN's Rules and Regulations. Employee agrees to abide by all rules and regulations established from time to time by AXOGEN.

SCHEDULE 2 COMPENSATION AND BENEFITS

Subject to the terms and conditions of the Executive Employment Agreement (the "Agreement"), Employee may be entitled to receive from AXOGEN Corporation ("AXOGEN" or "Employer") the following compensation and benefits:

1. Base Salary.

(a) Amount. Employee's salary during employment with AXOGEN will be at the rate of \$320,000 (Three Hundred Twenty Thousand Dollars) annually, (the "Base Salary") effective upon execution and delivery of the Agreement and Employee's first day of employment with AXOGEN.

(b) Payment. The Base Salary shall be payable in accordance with the existing payroll practices of AXOGEN, which practices may be changed by AXOGEN from time to time at its sole discretion. The Base Salary shall be subject to all appropriate withholding taxes.

(c) Review of Base Salary. The Base Salary shall be reviewed by AXOGEN on an annual basis; however AXOGEN reserves the right to increase or decrease the Base Salary at any time during the employment relationship in its sole discretion.

(d) Additional Compensation. In addition to the Base Salary, Employee may also be eligible to receive stock options, benefits, paid vacations and holidays during Employee's Employment.

2. Business Expenses and Reimbursements. Employee shall be eligible for reimbursement by AXOGEN in accordance with AXOGEN's normal reimbursement practices for ordinary and necessary business expenses incurred by Employee in the performance of Employee's duties for AXOGEN, so long as Employee timely submits to AXOGEN accurate invoices and receipts of all expenses submitted for reimbursement pursuant to this section.

3. Benefits. Employee will be permitted to participate in such benefit plans of AXOGEN that may be in effect from time to time, to the extent Employee is eligible under the terms of those plans. Nothing herein shall be construed to require AXOGEN to institute or continue any particular plan or benefit. AXOGEN reserves the right to add, change, or eliminate any benefits at any time at its sole discretion.

4. Vacations and Holidays. Employee will be entitled to paid vacation and holidays in accordance with the vacation and holiday policies of AXOGEN in effect for its employees from time to time. Vacation must be taken by Employee at such time or times as approved by AXOGEN.

5. Bonus.

(a) Calculation. During the Employment Period, Employee may receive a bonus based on an AXOGEN bonus plan, as determined by AXOGEN in its sole discretion. Bonus for 2016 will be pro-rated based on Employee start date and his target rate set at 40% of salary subject to the conditions of such bonus as established by the AXOGEN Board of directors.

(b) Payment. The Bonus if paid shall be paid in accordance with, and subject to, the normal payroll policies of AXOGEN with respect to similar forms of compensation, including, without limitation, being subject to all appropriate withholding taxes.

(c) Signing Bonus. Upon the first payroll period AXOGEN will pay Employee a one time signing bonus of \$15,000.

6. Compensation Review. AXOGEN shall, from time to time, but no less frequently than annually, review Employee's compensation (including benefits) and may, in its sole discretion, increase, or decrease, or eliminate any or all of the benefits. Any such increase or decrease in the compensation package shall be valid only if in writing, executed by a duly authorized officer of AXOGEN, and such writing shall constitute an amendment to this Paragraph 6 (and to the Agreement and any applicable Schedules or Exhibits) solely as to the benefits, without waiver or modification of any other terms, conditions or provisions of the Agreement.

7. No Other Compensation. Employee agrees that the compensation and benefits set forth in the Agreement and this Schedule 2 are the sole and exclusive compensation and benefits to which Employee is entitled pursuant to the Agreement and this Schedule 2, and that Employee shall have no rights to receive any other compensation or benefits of any nature from AXOGEN.

EXHIBIT A OF EMPLOYMENT AGREEMENT
INVENTION ASSIGNMENT AND CONFIDENTIALITY AGREEMENT

THIS INVENTION ASSIGNMENT AND CONFIDENTIALITY AGREEMENT (the "Invention and Confidentiality Agreement") is entered into as of the date first written below, by and between AXOGEN Corporation ("AXOGEN" or "Employer") and the undersigned AXOGEN employee, ("Employee") for and in consideration of Employee's continued employment by AXOGEN and the compensation that Employee shall receive during Employee's employment, the Parties agree as follows:

1. Employee's Covenants, Representations and Warranties. Both during and after the termination of Employee's employment by AXOGEN for any reason or for no reason:

A. Non-Disclosure. Employee shall not disclose to anyone outside AXOGEN any Confidential Information. "Confidential Information" shall include, without limitation,

(i) all information, which has not been made publicly available by AXOGEN or the third-party owner of such information, which was developed by AXOGEN, any of AXOGEN's employees or independent contractors, or was developed for AXOGEN, including but not limited to Developments (as defined below in Section 3), technical data, specifications, designs, programs, software, hardware, concepts, discoveries, copyrights, improvements, product plans, research and development, personnel information, contents of manuals, financial information, customer lists, leads, marketing programs, testing programs, and/or other written materials;

(ii) all documents marked as confidential and/or containing such information; and/or

(iii) all information AXOGEN has acquired or received from a third party in confidence.

B. Use of Confidential Information. Employee shall use Confidential Information only for AXOGEN's business purposes.

C. Confidential Information and Materials Furnished by AXOGEN. Employee agrees that the Confidential Information and any other materials furnished by AXOGEN to Employee, (i) are proprietary to AXOGEN and contain specialized and unique information not obtainable from ordinary sources, (ii) have been created by AXOGEN at considerable time and expense, and (iii) shall remain, at all times, the exclusive and sole property of AXOGEN.

D. Use of Third-Party Information. Employee shall not disclose to AXOGEN, use in AXOGEN's business, or cause AXOGEN to use any information or material which is confidential to any third party unless AXOGEN has a written agreement with the third party allowing AXOGEN to receive and use the confidential information or materials.

E. Use of Copyrights. Employee will not incorporate into Employee's work any material that is subject to the copyrights of any third party unless AXOGEN has the right to copy and incorporate such copyrighted material.

F. Trade Secrets. Employee acknowledges AXOGEN's legitimate business interest in protecting its trade secrets and customer lists and in preventing direct solicitation of its

customers and agrees that any unauthorized use of trade secrets shall be presumed to be an irreparable injury that may be specifically enjoined.

2. Return of Confidential Information and Materials. Employee shall, immediately upon AXOGEN's request, or the termination of Employee's employment, for any reason, whether by Employee or AXOGEN, return to AXOGEN all Confidential Information and other materials furnished to Employee, and any and all third-party property, and/or copies of the same, and all documentation, notebooks and notes, reports and any other materials whether electronic or print media containing or derived from the Confidential Information and other materials furnished to Employee by AXOGEN.

3. Assignment of Rights. Employee hereby grants, transfers and assigns and agrees to grant, transfer and assign to AXOGEN all of Employee's rights, title and interest, if any, in any and all Developments, including rights to translation and reproductions in all forms or formats and the copyrights, patent rights and moral rights to the same, if any, and agrees that AXOGEN may further perfect AXOGEN's United States and foreign rights in, and to any and all, Developments under patents and copyrights. "Developments" shall mean any idea, invention, process, design, concept, or useful article (whether the design is ornamental or otherwise), computer program, trademark, trade secret, documentation, literary work, audiovisual work and any other work of authorship, hereafter expressed, made or conceived solely or jointly by Employee during Employee's employment, whether or not subject to patent, copyright or other forms of protection that is:

A. related to the actual or anticipated business, research or development of AXOGEN; and/or

B. suggested by or resulting from any task assigned to Employee or work performed by Employee for or on behalf of AXOGEN.

4. Copyrights. Employee acknowledges that the copyrights in Developments created by Employee in the scope of Employee's employment belong to AXOGEN by operation of law, or may belong to a party engaged by AXOGEN by operation of law pursuant to a works-for-hire contract between AXOGEN and such contracted third party. To the extent the copyrights in such works may not be owned by AXOGEN or such contracted party by operation of law, Employee hereby assigns and agrees to assign to AXOGEN or such contracted party, as the case may be, all copyrights (if any) Employee may have in Developments.

5. Assistance in Obtaining Copyrights and Patents. At all times after the date of this Invention Assignment and Confidentiality Agreement, Employee agrees to assist AXOGEN in obtaining patents or copyrights on any Developments assigned to AXOGEN that AXOGEN, in its sole discretion, seeks to patent or copyright. Employee also agrees to sign all documents, and do all things necessary to obtain such patents or copyrights, to further assign them to AXOGEN, and to reasonably protect them and AXOGEN against infringement by other parties at AXOGEN expense with AXOGEN prior approval.

6. Appointment of Attorney-In-Fact. Employee irrevocably appoints any AXOGEN-selected designee to act, at all times hereafter, as Employee's agent and attorney-in-fact to perform all acts necessary to obtain patents and/or copyrights as required by this Invention Assignment and Confidentiality Agreement if Employee (i) refuses to perform those acts or (ii) is unavailable, within the meaning of the United States Patent and Copyright laws. It is expressly intended by Employee that the foregoing power of attorney is coupled with an interest.

7. Record Keeping. Employee shall keep complete, accurate, and authentic information and records of all Developments in the manner and form reasonably requested by AXOGEN. Such information and records, and all copies of the same, shall be the property of AXOGEN as to any Developments assigned AXOGEN. Employee agrees to promptly surrender such information and records at the request of AXOGEN as to any Developments.

8. Developments. In connection with any of the Developments assigned by this Invention Assignment and Confidentiality Agreement, Employee hereby agrees:

A. to disclose them promptly to AXOGEN;

B. at AXOGEN's request, to execute separate written assignments to AXOGEN;

C. to provide AXOGEN with notice of any inadvertent disclosure of Confidential Information related to any Development; and

D. to do all things reasonably necessary to enable AXOGEN to secure patents, register copyrights or obtain any other form of protection for Developments in the United States and in other countries. If Employee fails or is unable to do so, Employee hereby authorizes AXOGEN to act under power of attorney for Employee to do all things to secure such rights.

9. No Designation as Author. AXOGEN, its subsidiaries, licensees, successors or assigns, (direct or indirect) is not required to designate Employee as author of any Developments when such Developments are distributed publicly or otherwise. Employee waives and releases, to the extent permitted by law, all Employee's rights to such designation and any rights concerning future modifications of such Developments.

10. Assignability. Rights, assignments, and representations made or granted by Employee in this Invention Assignment and Confidentiality Agreement are assignable by AXOGEN without notice, and are for the benefit of AXOGEN's successors, assigns, and parties contracting with AXOGEN.

11. Trade Secrets. Employee acknowledges that Employee is aware that a theft of trade secrets of an employer by an employee in Florida, such as is prohibited by this Invention Assignment and Confidentiality Agreement, constitutes a criminal violation of Florida Statute 812.081, punishable as a third-degree felony under Florida Statute 775.082, conviction for which carries a term of imprisonment not exceeding five (5) years. Employee acknowledges AXOGEN will seek vigorous prosecution under Florida Statutes for any violation thereof arising out of a breach by Employee of any of the material terms of this Invention Assignment and Confidentiality Agreement.

12. Advice of Counsel. Employee acknowledges and agrees that Employee has read and understands the terms set forth in this Invention Assignment and Confidentiality Agreement and has been given a reasonable opportunity to consult with an attorney prior to execution of this Invention Assignment and Confidentiality Agreement and has either done so, or knowingly declined to do so.

13. Miscellaneous Provisions.

A. Further Assurances. The Parties hereby agree from time to time to execute and deliver such further and other transfers, assignments and documents and do all matters and things that may be convenient or necessary to more effectively and completely carry out the intentions of this Invention Assignment and Confidentiality Agreement.

B. Survival. All covenants, agreements, representations and warranties made in this Invention Assignment and Confidentiality Agreement or otherwise made in writing by any party pursuant to this Invention Assignment and Confidentiality Agreement shall survive the execution and delivery of this Invention Assignment and Confidentiality Agreement and the termination of employment of Employee.

C. Injunctive Relief. Employee acknowledges that AXOGEN will be irreparably damaged (and damages at law would be an inadequate remedy) if this Invention Assignment and Confidentiality Agreement is not specifically enforced. Therefore, in the event of a breach or threatened breach by Employee of any provision of this Invention Assignment and Confidentiality Agreement, AXOGEN shall be entitled, in addition to all other rights or remedies, to injunctions restraining such breach or threatened breach, without being required to show any actual damage or to post any bond or other security.

THE PARTIES TO THIS AGREEMENT have executed this Invention Assignment and Confidentiality Agreement as of the 25th day of February, 2016.

AXOGEN Corporation

Name: Karen Zaderej

Title: CEO

EMPLOYEE

Print Name: Peter Mariani

**EXHIBIT B TO EMPLOYMENT AGREEMENT
NON-SOLICITATION AND NON-COMPETITION AGREEMENT**

THIS NON-SOLICITATION AND NON-COMPETITION AGREEMENT (the "NSNC Agreement") is entered into as of the date written below by and between AXOGEN Corporation ("AXOGEN" or "Employer") and the undersigned AXOGEN employee ("Employee").

RECITALS:

A. WHEREAS, Employee has agreed to accept employment with AXOGEN; and

B. WHEREAS, the Parties desire to reflect their agreement as to Employee's promises regarding Employee's solicitation and competition, which have induced AXOGEN to employ Employee.

NOW, THEREFORE, in consideration of Employee's employment with AXOGEN and the covenants set forth in this Agreement and other good and valuable consideration, the Parties, intending to be legally bound by this Agreement, agree as follows:

1. Non-solicitation. Employee shall not, at any time while employed by AXOGEN and for one (1) years after the termination of Employee's employment with AXOGEN for any reason whatsoever, or for no reason, directly or indirectly (by assisting or suggesting to another, or otherwise) solicit, otherwise attempt to induce or accept the initiative of another in such regard, alone or by combining or conspiring with any employees, officers, directors, agents, consultants, representatives, contractors, suppliers, distributors, customers or other business contacts of AXOGEN to terminate or modify its position as an employee, officer, director, agent, consultant, representative, contractor, supplier, distributor, customer or business contact with AXOGEN or to compete against AXOGEN.

2. Non-competition. Employee shall not, at any time while employed by AXOGEN and for one (1) years after such termination of Employee's employment for any reason whatsoever, or for no reason (the "No-Compete Period"), directly or indirectly, as owner, officer, director, employee, agent, lender, broker, investor, consultant or representative of any corporation or as owner of any interest in, or as an employee, agent, consultant, partner, independent contractor, affiliate or in any other capacity whatsoever, or representative of any other form of business association, sole proprietorship or partnership, conduct or assist in any way any business that competes directly with AxoGen's then-current or planned products or business.

3. Non-Interference. In addition to, and not in limitation of, the other provisions of this Agreement, or of any other agreement between Employee and AXOGEN, Employee shall not at any time, in any manner, interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of AXOGEN, or give to any person the benefit or advantage of AXOGEN's or Corp.'s methods of operation, advertising, publicity, training, business customers or accounts, or any other information relating or useful to AXOGEN's or Corp.'s business.

4. Representations and Warranties. Employee does hereby represent and warrant to the Employer that:

(i) Employee is not presently employed by, and/or have any ownership interest, either directly or indirectly, in any entity or business, and is not presently engaged in any outside business activity in competition with AXOGEN;

(ii) this NSNC Agreement is executed by Employee to protect the legitimate business interests of the Employer;

(iii) legitimate business interests of the Employer to be protected by this NSNC Agreement include, without limitation, the protection of:

- a. valuable trade secrets of the Employer;
- b. the customer and vendor base of the Employer;
- c. confidential customer and vendor information belonging to the Employer;
- d. substantial business relationships between the Employer and its existing and prospective customers and vendors;
- e. goodwill associated with the specialized expertise of Employer; and
- f. specialized training undertaken by the Employer and its employees.

(iv) the other covenants and restrictions of this NSNC Agreement are appropriate and reasonable in all respects in light of the legitimate business interests of the Employer to be protected.

(v) the Employer and Employee have considered the public's health, safety and welfare, and that nothing contained in this NSNC Agreement will adversely affect the public's health, safety or welfare.

(vi) the execution and delivery of this NSNC Agreement, and the restrictions contained herein, the performance by Employee of the covenants and agreements contained herein, and the enforcement by the Employer of the provisions contained herein, will cause no undue hardship on Employee.

5. Other Restrictions. In consideration of Employer's agreement to employ, or to continue the employment of, Employee, and in accordance with the terms and conditions of this NSNC Agreement, the Employee hereby agrees as follows:

(i) The restrictions on employment contained above are essential elements of this NSNC Agreement, and that, but for the agreement of Employee to comply with such restrictions, the Employer would not have entered into the NSNC Agreement or the Agreement. The restrictions contained within this NSNC Agreement are reasonably necessary to protect the legitimate business interests of the Employer. The restrictions assist in assuring the continuity and growth of the Employer in the achievement of its goals and objectives. The legitimate business interests justifying the restrictions include, but are not limited to, trade secrets, valuable business information or professional information that otherwise do not qualify as trade secrets, substantial relationships with prospective and existing customers and vendors, or goodwill associated with the name of the Employer.

6. Remedies for Breach. Employee acknowledges and agrees that, in the event of a breach or threatened breach of any of the provisions of this NSNC Agreement, the Employer would suffer irreparable harm for which monetary damages would be inadequate. Accordingly, in addition to any other remedies available, at law or in equity, in the event of a breach or threatened breach by Employee of such provisions, the Employer will be entitled to equitable relief in the form of an injunction against such breach, both preliminary and permanent, without the requirement to post a bond or other security or to prove irreparable injury or inadequate remedy at law, specific performance or other appropriate relief.

7. Tolling. In the event that the Employer shall file a lawsuit in any court of competent jurisdiction alleging a breach of any of Employee's obligations under this NSNC Agreement, then any time period set forth in this NSNC Agreement, including the time periods set forth above, shall be deemed tolled as of the time such lawsuit is filed and shall remain tolled until such dispute finally is resolved either by written settlement agreement resolving all claims raised in such lawsuit or by entry of a final judgment in such lawsuit, including the final resolution of any post-judgment appellate proceedings.

8. Assignment. This NSNC Agreement and all rights and benefits hereunder are personal to Employee, and neither this NSNC Agreement, nor any right or interest herein of Employee shall be voluntarily or involuntarily sold, transferred or assigned by Employee; provided, however, that the Employer may assign its rights, duties and obligations hereunder without the prior written consent of Employee.

9. Severability. In the event any provision of this NSNC Agreement is held illegal or invalid, the remaining provisions of this NSNC Agreement and the Agreement shall not be affected thereby. If any of the restrictions contained in this NSNC Agreement or any part thereof is held to be unenforceable, the Parties agree that the court making such determination will have the power to reform the provisions of this NSNC Agreement to the extent permitted by applicable law.

10. No Defense to Enforcement. The existence of any claim or cause of action by Employee against AXOGEN predicated on the Agreement herein, shall not constitute a defense to the enforcement by AXOGEN of this NSNC Agreement.

THE PARTIES TO THIS AGREEMENT have executed this Agreement as of the 25th day of February, 2016.

AXOGEN Corporation

Name: Karen Zaderej

Title: CEO

EMPLOYEE

Print Name: Peter Mariani

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Karen Zaderej, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AxoGen, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers 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: May 4, 2016

/s/ Karen Zaderej
Karen Zaderej
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter J. Mariani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AxoGen, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers 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: May 4, 2016

/s/ Peter J. Mariani
Peter J. Mariani
Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

In connection with the Quarterly Report on Form 10-Q (the "Report") of AxoGen, Inc. (the "Company"), Karen Zaderej, Chief Executive Officer of the Company and Peter J. Mariani, Chief Financial Officer of the Company, each certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of her/his knowledge that:

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

Dated: May 4, 2016

/s/ Karen Zaderej
Karen Zaderej
Chief Executive Officer
(Principal Executive Officer)

/s/ Peter J. Mariani
Peter J. Mariani
Chief Financial Officer
(Principal Financial Officer)
