
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

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)

13631 Progress Blvd., Suite 400 Alachua, FL

(Address of principal executive offices)

41-1301878

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

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)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	AXGN	The Nasdaq Stock Market

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

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

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

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

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

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

As of November 1, 2022, the registrant had 42,286,590 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 Quarterly Report on Form 10-Q), in press releases, and in other communications to shareholders or the investment community, Axogen, Inc. (including Axogen, Inc.’s wholly owned subsidiaries, Axogen Corporation, Axogen Processing Corporation and Axogen Europe GmbH, the “Company,” “Axogen,” “we,” “our,” or “us”) 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 the Company is active, as well as its business plans. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “projects,” “forecasts,” “continue,” “may,” “should,” “will,” “goals,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Actual results or event could differ materially from those described in any forward-looking statements as a result of various factors, including, without limitation, the impact of the COVID-19 and any and all variants thereof on our business, including but not limited to global supply chain issues; hospital staffing challenges and its impact on our business; statements regarding our growth, our financial guidance and performance; product development; product potential; Axogen Processing Center renovation timing and expense; sales growth; product adoption; market awareness of our products; anticipated capital requirements, including the potential of future financings; data validation; expected clinical study enrollment, timing and outcomes; our visibility at and sponsorship of conferences and our educational events; regulatory process and approvals; and other factors, including legislative, regulatory, political, geopolitical and economic developments, including record inflation and global business disruption caused by Russia’s invasion of Ukraine and related sanctions, not within our control. The forward-looking statements are and will be subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied in such forward-looking statements. Forward-looking statements contained in this Quarterly Report on Form 10-Q should be evaluated together with the many risks and uncertainties that affect the Company’s business and its market, particularly those discussed in the risk factors and cautionary statements set forth in the Company’s filings with the SEC, including as described in “Risk Factors” included in Item 1A and “Risk Factor Summary” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. 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, except as required by applicable law, the Company assumes no responsibility to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise.

PART 1 — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS

Axogen, Inc.
Condensed Consolidated Balance Sheets
(unaudited)
(In Thousands, Except Share and Per Share Amounts)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,318	\$ 32,756
Restricted cash	6,251	6,251
Investments	38,792	51,330
Accounts receivable, net of allowance for doubtful accounts of \$606 and \$276, respectively	21,363	18,158
Inventory	19,116	16,693
Prepaid expenses and other	2,614	1,861
Total current assets	102,454	127,049
Property and equipment, net	74,867	62,923
Operating lease right-of-use assets	14,751	15,193
Intangible assets, net	3,448	2,859
Total assets	\$ 195,520	\$ 208,024
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 22,017	\$ 22,459
Current maturities of long-term lease obligations	1,530	1,834
Total current liabilities	23,547	24,293
Long-term debt, net of debt discount and financing fees	45,487	44,821
Long-term lease obligations	20,634	20,798
Debt derivative liabilities	4,407	5,562
Total liabilities	94,075	95,474
Commitments and contingencies - see Note 12		
Shareholders' equity:		
Common stock, 0.01 par value per share; 100,000,000 shares authorized; 42,272,223 and 41,736,950 shares issued and outstanding	423	417
Additional paid-in capital	355,187	342,765
Accumulated deficit	(254,165)	(230,632)
Total shareholders' equity	101,445	112,550
Total liabilities and shareholders' equity	\$ 195,520	\$ 208,024

See notes to condensed consolidated financial statements.

Axogen, Inc.
Condensed Consolidated Statements of Operations
(unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenues	\$ 36,959	\$ 31,204	\$ 102,420	\$ 95,821
Cost of goods sold	6,176	5,239	18,006	17,503
Gross profit	30,783	25,965	84,414	78,318
Costs and expenses:				
Sales and marketing	19,792	18,370	60,349	55,594
Research and development	7,050	6,404	20,347	17,875
General and administrative	8,796	7,880	27,817	24,912
Total costs and expenses	35,638	32,654	108,513	98,381
Loss from operations	(4,855)	(6,689)	(24,099)	(20,063)
Other (expense) income:				
Investment income	186	17	172	80
Interest expense	(61)	(417)	(664)	(1,427)
Change in fair value of derivatives	469	(46)	1,155	(152)
Other expense	(57)	(6)	(97)	(137)
Total other expense, net	537	(452)	566	(1,636)
Net loss	<u>\$ (4,318)</u>	<u>\$ (7,141)</u>	<u>\$ (23,533)</u>	<u>\$ (21,699)</u>
Weighted average common shares outstanding — basic and diluted	42,220,519	41,467,596	42,008,013	41,087,568
Loss per common share — basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.17)</u>	<u>\$ (0.56)</u>	<u>\$ (0.53)</u>

See notes to condensed consolidated financial statements.

Axogen, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)
(In Thousands)

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Cash flows from operating activities:		
Net loss	\$ (23,533)	\$ (21,699)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,182	2,059
Amortization of right-of-use assets	1,303	1,418
Amortization of intangible assets	198	148
Amortization of debt discount and deferred financing fees	667	384
Provision for bad debt	566	(145)
Provision for inventory write-down	1,381	2,850
Change in fair value of derivatives	(1,155)	152
Investment losses	44	49
Stock-based compensation	11,437	9,410
Change in operating assets and liabilities:		
Accounts receivable	(3,695)	(804)
Inventory	(3,804)	(5,774)
Prepaid expenses and other	(828)	1,146
Accounts payable and accrued expenses	(870)	(927)
Operating lease obligations	(1,320)	(154)
Cash paid for interest portion of finance leases	(1)	(1)
Contract and other liabilities	—	(3)
Net cash used in operating activities	(17,428)	(11,891)
Cash flows from investing activities:		
Purchase of property and equipment	(13,456)	(20,641)
Economic development grant proceeds	—	950
Purchase of investments	(24,607)	(39,139)
Proceeds from sale of investments	37,100	49,300
Cash payments for intangible assets	(1,028)	(534)
Net cash used in investing activities	(1,991)	(10,064)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	—	15,000
Cash paid for debt portion of finance leases	(9)	(12)
Proceeds from exercise of stock options and ESPP stock purchases	990	4,421
Net cash provided by financing activities	981	19,409
Net decrease in cash, cash equivalents, and restricted cash	(18,438)	(2,546)
Cash, cash equivalents, and restricted cash, beginning of period	39,007	55,609
Cash, cash equivalents, and restricted cash, end of period	\$ 20,569	\$ 53,063
Supplemental disclosures of cash flow activity:		
Cash paid for interest, net of capitalized interest	\$ —	\$ 646
Supplemental disclosure of non-cash investing and financing activities:		
Acquisition of fixed assets in accounts payable and accrued expenses	\$ 2,090	\$ 1,460
Obtaining a right-of-use asset in exchange for a lease liability	\$ 920	\$ 1,375
Obtaining of property and equipment in exchange for a lease liability	\$ 22	\$ —
Embedded derivative associated with the long-term debt	\$ —	\$ 1,173
Acquisition of intangible assets in accounts payable and accrued expenses	\$ 177	\$ 261

See notes to condensed consolidated financial statements.

Axogen, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
(unaudited)
(In Thousands, Except Share Amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Three Months Ended September 30, 2022					
Balance at June 30, 2022	42,134,504	\$ 420	\$ 351,117	\$ (249,847)	\$ 101,690
Net loss	—	—	—	(4,318)	(4,318)
Stock-based compensation	—	—	3,849	—	3,849
Issuance of restricted and performance stock units	55,934	1	(1)	—	—
Exercise of stock options and employee stock purchase plan	81,785	2	222	—	224
Balance at September 30, 2022	42,272,223	\$ 423	\$ 355,187	\$ (254,165)	\$ 101,445
Nine Months Ended September 30, 2022					
Balance at December 31, 2021	41,736,950	417	\$ 342,765	\$ (230,632)	\$ 112,550
Net loss	—	—	—	(23,533)	(23,533)
Stock-based compensation	—	—	11,437	—	11,437
Issuance of restricted and performance stock units	315,275	3	(3)	—	—
Exercise of stock options and employee stock purchase plan	219,998	3	988	—	991
Balance at September 30, 2022	42,272,223	\$ 423	\$ 355,187	\$ (254,165)	\$ 101,445
Three Months Ended September 30, 2021					
Balance at June 30, 2021	41,337,108	\$ 413	\$ 336,495	\$ (218,205)	\$ 118,703
Net loss	—	—	—	(7,141)	(7,141)
Stock-based compensation	—	—	2,911	—	2,911
Issuance of restricted and performance stock units	67,249	1	(1)	—	—
Exercise of stock options and employee stock purchase plan	154,572	1	807	—	808
Balance at September 30, 2021	41,558,929	\$ 415	\$ 340,212	\$ (225,346)	\$ 115,281
Nine Months Ended September 30, 2021					
Balance at December 31, 2020	40,618,766	\$ 406	\$ 326,390	\$ (203,647)	\$ 123,149
Net loss	—	—	—	(21,699)	(21,699)
Stock-based compensation	—	—	9,410	—	9,410
Issuance of restricted and performance stock units	206,193	2	(2)	—	—
Exercise of stock options and employee stock purchase plan	733,970	7	4,414	—	4,421
Balance at September 30, 2021	41,558,929	\$ 415	\$ 340,212	\$ (225,346)	\$ 115,281

See notes to condensed consolidated financial statements.

Axogen, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(In Thousands, Except Per Share Amounts)

1. Basis of Presentation

General

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 subsidiaries Axogen Corporation (“AC”), Axogen Processing Corporation, and Axogen Europe GmbH.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company as of September 30, 2022, and December 31, 2021, and for the three and nine months ended September 30, 2022, and 2021. The Company’s condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and; therefore, do not include all information and footnotes necessary for a fair presentation of consolidated financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2021, which are included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

The interim condensed consolidated financial statements are unaudited and in the opinion of management, reflect all adjustments, consisting only of normal recurring 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 intercompany accounts and transactions have been eliminated in consolidation.

The results of operations for the three and nine months ended September 30, 2022, are not necessarily indicative of the results to be expected for the full year due primarily to the impact of the continued uncertainty of general economic conditions that may impact our markets for the remainder of fiscal year 2022. Specifically, there can be no assurance that the resurgence of COVID-19 will not affect future results.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

2. Summary of Significant Accounting Policies

Please see Note 2 to the Company’s consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission (“SEC”) on February 28, 2022 for a description of all significant accounting policies.

Cash and Cash Equivalents and Concentration

The Company considers highly liquid investments with maturities of three months or less at the date of acquisition as cash equivalents in the accompanying condensed consolidated financial statements. The Company has not experienced any losses related to these balances; however, as of September 30, 2022, \$13,818 of the cash and cash equivalents balance was in excess of Federal Deposit Insurance Corporation limits. The Company had restricted cash balances of \$6,251 for each of the periods ended September 30, 2022, and December 31, 2021. The September 30, 2022, and December 31, 2021, balances both include \$6,000 and \$250, which represent collateral for two irrevocable standby letters of credit. See "Note 8 - Long-Term Debt, Net of Debt Discount and Financing Fees."

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the condensed consolidated balance sheets that sum to the total of the same amounts shown in the condensed consolidated statements of cash flows:

(In thousands)	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 14,318	\$ 32,756
Restricted cash	6,251	6,251
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 20,569</u>	<u>\$ 39,007</u>

Stock-Based Compensation

The Company measures stock options granted to employees at a premium price based on market conditions, such as the trading price of the Company's common stock, using a Monte Carlo Simulation model in estimating the fair value at grant date. The determination of the fair value is affected by the Company's stock price, as well as assumptions regarding several subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards. The Company determines the expected life of each award 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 value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statements of operations. The expense has been reduced for forfeitures as they occur.

The Company recognizes expense for all stock-based compensation awards, including stock options, restricted stock units ("RSUs"), and performance stock units ("PSUs") granted to employees eligible for retirement, as defined within the award notice and allowing for continued vesting post-retirement, over the retirement notice period and continuously updates its estimate of expense over the notice period each reporting period if a retirement notice has not been provided.

Costs of Goods Sold

Cost of sales includes direct labor and materials costs related to each product sold or produced, including processing, quality assurance labor and scrap, as well as facility and warehousing overhead supporting our manufacturing operations. All of our manufacturing costs are included in cost of sales.

Shipping and Handling

All shipping and handling costs, including facility and warehousing overhead, directly related to bringing the Company's products to their final selling destination are included in selling and marketing expenses. Shipping and handling costs included in sales and marketing were \$1,330 and \$1,366 for the three months ended September 30, 2022, and 2021, respectively and \$3,863 and \$3,657 for the nine months ended September 30, 2022, and 2021, respectively.

Recent Accounting Pronouncements

In November 2021, the Financial Accounting Standards ("FASB") amended Accounting Standards Codification ("ASC") 832, *Government Assistance* (issued under Accounting Standards Update ("ASU") 2021-10, *Disclosures by Business Entities about Government Assistance*). This amendment requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy, including, (1) the types of transactions; (2) the financial statement line items affected by the transaction, and; (3) significant terms and conditions associated with the transactions. The Company adopted the guidance on January 1, 2022 and the adoption of ASU 2021-10 did not have a material impact on the Company's condensed consolidated financial condition, results of operations or disclosures.

3. Inventory

Inventory consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Finished goods	\$ 12,823	\$ 11,011
Work in process	903	813
Raw materials	5,390	4,869
Inventory	<u>\$ 19,116</u>	<u>\$ 16,693</u>

The provision for inventory write-down was \$452 and \$395 for the three months ended September 30, 2022, and 2021, respectively, and for the nine months ended September 30, 2022, and 2021, the Company had adjustments to the provision for inventory write-downs of \$1,381 and \$2,850 (including the write-down of Avive inventory of \$1,251 in the 2021 period), respectively.

4. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Furniture and equipment	\$ 5,408	\$ 5,100
Leasehold improvements	15,569	14,952
Processing equipment	4,229	3,984
Land	731	731
Projects in process	58,595	45,660
Finance lease right-of-use assets	131	110
Property and equipment, at cost	84,663	70,537
Less: accumulated depreciation and amortization	(9,796)	(7,614)
Property and equipment, net	\$ 74,867	\$ 62,923

The Company further added to its projects in process total which is related to our Axogen Processing Center ("APC Facility"). See "Note 12 - Commitments and Contingencies."

Depreciation expense consisted of following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Depreciation expense	\$ 764	\$ 654	\$ 2,182	\$ 2,059

Depreciation expense is allocated among cost of sales, sales and marketing, research and development, and general and administrative expense on the condensed consolidated statements of operations.

5. Intangible Assets, Net

The Company's intangible assets consisted of the following (in thousands):

	September 30, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:						
Patents	\$ 3,245	\$ (342)	\$ 2,903	\$ 2,469	\$ (234)	\$ 2,235
License agreements	1,101	(943)	158	1,101	(852)	249
Total amortizable intangible assets	4,346	(1,285)	3,061	3,570	(1,086)	2,484
Unamortized intangible assets						
Trademarks	387	—	387	375	—	375
Total intangible assets	\$ 4,733	\$ (1,285)	\$ 3,448	\$ 3,945	\$ (1,086)	\$ 2,859

Amortization expense consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Amortization expense	\$ 66	\$ 52	\$ 198	\$ 148

Expected future amortization of intangible assets as of September 30, 2022, is as follows (in thousands):

Year Ending December 31,	Expected Amortization Expense
2022 (excluding the nine months ended September 30, 2022)	\$ 68
2023	237
2024	169
2025	169
2026	167
Thereafter	2,251
Total amortized intangible assets	\$ 3,061

License Agreements

The Company has License Agreements with the University of Florida Research Foundation and the University of Texas at Austin in which certain royalty payments are paid quarterly.

Royalty expense consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Royalty expense	\$ 848	\$ 687	\$ 2,287	\$ 2,037

Royalty fees are included in sales and marketing expense on the accompanying condensed consolidated statements of operations.

6. Fair Value Measurement

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy defines a three-level valuation hierarchy for classification and disclosure of fair value measurements as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There has been no movement between Level 1 and Level 2 or between Level 2 and Level 3 from December 31, 2021, to September 30, 2022. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Debt Derivative Liabilities

The Debt Derivative Liabilities are measured using a 'with and without' valuation model to compare the fair value of the Company's financing agreement with Oberland Capital including the identified embedded derivative features and the fair value of a plain vanilla note with the same terms. The fair value of the Oberland Facility including the embedded derivative features was determined using a probability-weighted expected return model based on four potential settlement scenarios for the Oberland Facility due to (a) a 5% probability of a mandatory prepayment event of the Oberland Facility on December 31, 2023; (b) a 15% probability of a mandatory prepayment event of the Oberland Facility on March 31, 2026; (c) a 5% probability of the prepayment of the Oberland Facility at the Company's option on December 31, 2025; and (d) a 75% probability that the Oberland Facility will be held to its scheduled maturity dates in accordance with the terms of the debt agreement. The estimated settlement value of each scenario, which would include any required make-whole payment, is then discounted to present value.

using a discount rate that is derived based on the initial terms of the Oberland Facility at issuance and corroborated utilizing a synthetic credit rating analysis.

The significant inputs that are included in the valuation of the Debt derivative liability - first tranche include:

	September 30, 2022	December 31, 2021
Input		
Remaining term (years)	4.75 years	5.5 years
Maturity date	June 30, 2027	June 30, 2027
Coupon rate	9.5% - 12.3%	9.5 %
Revenue participation payments	Maximum each year	Maximum each year
Discount rate	14.7% ⁽¹⁾	10.72% ⁽¹⁾
Probability of mandatory prepayment before 2024	5.0 % ⁽¹⁾	5.0 % ⁽¹⁾
Estimated timing of mandatory prepayment event before 2024	December 31, 2023 ⁽¹⁾	December 31, 2023 ⁽¹⁾
Probability of mandatory prepayment 2024 or after	15.0 % ⁽¹⁾	15.0 % ⁽¹⁾
Estimated timing of mandatory prepayment event 2024 or after	March 31, 2026 ⁽¹⁾	March 31, 2026 ⁽¹⁾
Probability of optional prepayment event	5.0 % ⁽¹⁾	5.0 % ⁽¹⁾
Estimated timing of optional prepayment event	December 31, 2025 ⁽¹⁾	December 31, 2025 ⁽¹⁾

(1) Represents a significant unobservable input

The significant inputs that are included in the valuation of the Debt derivative liability - second tranche include:

	September 30, 2022	December 31, 2021
Input		
Remaining term (years)	5.75 years	6.5
Maturity date	June 30, 2028	June 30, 2028
Coupon rate	9.5% - 12.3%	9.5%
Revenue participation payments	Maximum each year	Maximum each year
Discount rate	18.3 % ⁽¹⁾	13.21 % ⁽¹⁾
Probability of mandatory prepayment before 2024	5.0% ⁽¹⁾	5.0% ⁽¹⁾
Estimated timing of mandatory prepayment event before 2024	December 31, 2023 ⁽¹⁾	December 31, 2023 ⁽¹⁾
Probability of mandatory prepayment 2024 or after	15.0% ⁽¹⁾	15.0% ⁽¹⁾
Estimated timing of mandatory prepayment event 2024 or after	March 31, 2026 ⁽¹⁾	March 31, 2026 ⁽¹⁾
Probability of optional prepayment event	5.0% ⁽¹⁾	5.0% ⁽¹⁾
Estimated timing of optional prepayment event	December 31, 2025 ⁽¹⁾	December 31, 2025 ⁽¹⁾

(1) Represents a significant unobservable input

The following table presents the financial assets and liabilities that the Company measured at fair value on a recurring basis as of September 30, 2022, classified in accordance with the fair value hierarchy (in thousands):

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Money market funds	\$ 7,610	\$ —	\$ —	\$ 7,610
U.S. government securities	22,874	—	—	22,874
Commercial paper	—	15,918	—	15,918
Total assets	<u>\$ 30,484</u>	<u>\$ 15,918</u>	<u>\$ —</u>	<u>\$ 46,402</u>
Liabilities				
Debt derivative liabilities	—	—	4,407	4,407
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,407</u>	<u>\$ 4,407</u>

The following table presents the financial assets and liabilities that the Company measured at fair value on a recurring basis as of December 31, 2021, classified in accordance with the fair value hierarchy (in thousands):

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Money market funds	\$ 22,012	\$ —	\$ —	\$ 22,012
U.S. government securities	12,081	—	—	12,081
Commercial paper	—	39,249	—	39,249
Total assets	<u>\$ 34,093</u>	<u>\$ 39,249</u>	<u>\$ —</u>	<u>\$ 73,342</u>
Liabilities				
Debt derivative liabilities	\$ —	—	\$ 5,562	\$ 5,562
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,562</u>	<u>\$ 5,562</u>

The changes in Level 3 liabilities measured at fair value on a recurring basis for the three and nine months ended September 30, 2022, were as follows (in thousands):

Three Months Ended September 30, 2022	
Beginning Balance, July 1, 2022	\$ 4,876
Change in fair value included in net loss	(469)
Ending Balance, September 30, 2022	<u>\$ 4,407</u>
Nine Months Ended September 30, 2022	
Beginning Balance, January 1, 2022	\$ 5,562
Change in fair value included in net loss	(1,155)
Ending Balance, September 30, 2022	<u>\$ 4,407</u>

The changes in Level 3 liabilities measured at fair value on a recurring basis for the three and nine months ended September 30, 2021, were as follows (in thousands):

Three Months Ended September 30, 2021

Beginning Balance, July 1, 2021	54,439
Change in fair value of Oberland Facility	(826)
Change in fair value of debt derivative	46
Ending Balance, September 30, 2021	<u>\$ 53,659</u>

Nine Months Ended September 30, 2021

Beginning Balance, January 1, 2021	\$ 39,352
Addition of Oberland Facility - second tranche	13,827
Addition of debt derivative - second tranche	1,173
Change in fair value of Oberland Facility	(845)
Change in fair value of debt derivative	152
Ending Balance September 30, 2021	<u>\$ 53,659</u>

The fair value of cash, restricted cash, accounts receivable, accounts payable and accrued expenses approximate the carrying values because of the short-term nature of these instruments. The Oberland Facility is classified as Level 3 within the fair value hierarchy. The carrying value and estimated fair value of the Oberland Facility were \$45,487 and \$49,392 at September 30, 2022, and \$45,325 and \$52,605 at December 31, 2021, respectively. See "Note 8 - Long-Term Debt, Net of Debt Discount and Financing Fees."

7. Leases

The Company leases administrative, manufacturing, research and distribution facilities through operating leases. Several leases include fixed payments including rent and non-lease components such as common-area or other maintenance costs.

On January 27, 2022, the Company entered into a Commercial Lease Amendment ("Amendment") with JA-Cole L.P., with an effective date of February 1, 2022, pursuant to the original Commercial Lease dated April 21, 2015, as amended (the "Lease"). The lease is for the office and warehouse facility located in Burleson, Texas. The Amendment revised the commencement date to May 1, 2022, and the expiration date to April 30, 2027. The Company accounted for the Lease revisions as a lease modification in accordance with ASC 842, *Leases*, as the modification effectively terminated the existing lease and created a new lease which commenced on February 1, 2022. The Company valued the lease using a 11.3% incremental borrowing rate and recorded a right-of-use asset and a lease liability of \$41 as a result of this amendment.

On August 22, 2022, the Company, entered into the First Amendment to Lease Agreement (the "First Amendment") with Ja-Cole, L.P. with an effective date of October 1, 2022, pursuant to the original Commercial Lease dated October 1, 2020, as amended (the "Lease"). The lease is for the office and warehouse facility located in Burleson, Texas. The First Amendment adds an additional 2,500 square feet to the Leased Premises, for a total of 5,000 square feet and revises the expiration date of the Lease to mean September 30, 2027. The Company accounted for the Lease revisions as a lease modification in accordance with ASC 842, *Leases*, as the modification effectively terminated the existing lease and created a new lease. The Company valued the lease using a 12.8% incremental borrowing rate and recorded a right-of-use asset and a lease liability of \$221 as a result of this amendment.

Total operating lease expense for the three months ended September 30, 2022, and 2021 was \$1,337 and \$1,211 respectively and \$4,100 and \$3,652 for the nine months ended September 30, 2022, and 2021, respectively.

Supplemental balance sheet information related to the operating and financing leases is as follows:

(In thousands, except lease term and discount rate)

	September 30, 2022	December 31, 2021
Operating Leases		
Right-of-use operating assets	\$ 14,751	\$ 15,193
Current maturities of long-term lease obligations	\$ 1,523	\$ 1,825
Long-term lease obligations	\$ 20,615	\$ 20,794
Financing Leases		
Right-of-use financing leases ⁽¹⁾	\$ 46	\$ 42
Current maturities of long-term lease obligations	\$ 7	\$ 9
Long-term lease obligations	\$ 19	\$ 4
Weighted average operating lease term (in years):	10.9	12.1
Weighted average operating financing term (in years):	4.2	2.2
Weighted average discount rate operating leases	10.48 %	10.32%
Weighted average discount rate financing leases	11.69%	7.23%

⁽¹⁾ Financing leases are included within property and equipment, net on the condensed consolidated balance sheets.

Future minimum lease payments under operating and financing leases at September 30, 2022, were as follows:

(In thousands)

2022 (excluding the nine months ended September 30, 2022)	\$	1,092
2023		3,476
2024		3,253
2025		3,336
2026		3,348
2027		2,921
Thereafter		20,931
Total	\$	38,356
Less: Imputed interest		(16,192)
Total lease liability	\$	22,164
Less: Current lease liability		(1,530)
Long-term lease liability	\$	20,634

8. Long-Term Debt, Net of Debt Discount and Financing Fees

Long-term debt, net of debt discount and financing fees consists of the following:

(In thousands)	September 30, 2022	December 31, 2021
Oberland Facility - first tranche	\$ 35,000	\$ 35,000
Oberland Facility - second tranche	15,000	15,000
Less - unamortized debt discount and deferred financing fees	(4,513)	(5,179)
Long-term debt, net of debt discount and financing fees	\$ 45,487	\$ 44,821

Oberland Facility

On June 30, 2020, the Company entered into a seven-year financing agreement with Oberland Capital (the "Oberland Facility") and obtained the first tranche of \$35,000 at closing. On June 30, 2021, the second tranche of \$15,000 was drawn down by the Company.

The Oberland Facility requires quarterly interest payments for seven years. Interest is calculated as 7.5% plus the greater of LIBOR or 2.0% (9.8% as of September 30, 2022). Each tranche of the Oberland Facility has a term of seven years from the date of issuance (with the first tranche issued on June 30, 2020, maturing on June 30, 2027 and the second tranche issued on June 30, 2021, maturing on June 30, 2028). In connection with the Oberland Facility, the Company entered into a revenue participation agreement with Oberland Capital, which provides that, among other things, a quarterly royalty payment as a percentage of the Company's net revenues, up to \$70 million in any given fiscal year, subject to certain limitations set forth therein, during the period commencing on the later of (i) April 1, 2021, and (ii) the date of funding of a tranche of the loan, and ending on the date upon which all amounts owed under the Oberland Facility have been paid in full (the "Revenue Participation Agreement"). Payments under the Revenue Participant Agreement commenced on September 30, 2021. The royalty structure of the Revenue Participant Agreement results in approximately 1.0% per year of additional interest payments on the outstanding loan amount. The Company recorded interest expense of \$49 and \$337 for this Revenue Participation Agreement for the three months ended September 30, 2022, and 2021 and \$756 and \$590 for the nine months ended September 30, 2022 and 2021, respectively. The Company exceeded the maximum annual revenue participation threshold of \$70,000 during the third quarter of 2022. The Company pays Oberland Capital quarterly debt interest on the last day of the quarter. The Company paid \$1,249 and \$1,218 for the three months ended September 30, 2022, and 2021, respectively, and \$3,637 and \$2,890 for the nine months ended September 30, 2022, and 2021, respectively. The Company capitalized interest of \$1,450 and \$1,338 for the three months ended September 30, 2022 and 2021, respectively and \$4,474 and \$2,526 for the nine months ended September 30, 2022 and 2021, respectively, towards the costs to construct and retrofit the APC Facility in Vandalia, OH. See "Note 12 - Commitments and Contingencies." Since inception, the Company has capitalized interest of \$9,748 related to this project. The capitalized interest is recorded as part of property and equipment, net in the condensed consolidated balance sheets. As of September 30, 2022, the Company was in compliance with all financial covenants. See "Note 12 - Commitments and Contingencies."

Embedded Derivatives

The Debt Derivative Liabilities are recorded at fair value, with the change in fair value reported in the condensed consolidated statements of operations at each reporting date. The fair values of the Debt Derivative Liabilities were \$4,407 and \$5,562 at September 30, 2022, and December 31, 2021, respectively. See "Note 6 - Fair Value Measurement."

Unamortized Debt Discount and Financing Fees

The unamortized debt discount consists of the remaining unamortized initial fair values of the embedded derivatives related to the first and second tranches of the Oberland Facility. The debt discount is amortized over the respective life of the related tranche and recorded in interest expense using the effective yield method.

The financing fees for the Oberland Facility were \$642 and were recorded as a contra liability to the debt facility. The financing fees are amortized over the life of the first tranche of the Oberland Facility and recorded in interest expense.

Amortization of debt discount and deferred financing fees for the three months ended September 30, 2022, and 2021 was \$25 and \$157, respectively, and for the nine months ended September 30, 2022, and 2021 was \$667 and \$384, respectively.

Other credit facilities

The Company had restricted cash of \$6,251 at September 30, 2022, and December 31, 2021. The September 30, 2022, and December 31, 2021, balances both include \$6,000 and \$250, which represent collateral for two irrevocable standby letters of credit.

9. Stock-Based Incentive Plans

The Company maintains two share-based incentive plans: the Axogen, Inc. Second Amended and Restated 2019 Long-Term Incentive Plan, ("2019 Plan"), and the Axogen 2017 Employee Stock Purchase Plan ("2017 ESPP"). As of September 30, 2022, 3,340,010 shares of common stock were available for issuance under the 2019 Plan. The Company recognized share-based compensation expense, which consisted of compensation expense related to stock options, PSUs and RSUs based on the value of share-based payment awards that are ultimately expected to vest during the period and stock-based compensation expense of \$3,849 and \$2,911 for the three months ended September 30, 2022 and 2021, respectively, and \$11,437 and \$9,410 for the nine months ended September 30, 2022, and 2021, respectively.

A summary of the stock option activity is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2021	3,194,738	\$15.65	6.45	\$ 2,236
Granted	1,185,749	\$9.13		
Exercised	(153,290)	\$4.44		
Cancelled	(229,964)	\$14.83		
Outstanding, September 30, 2022	3,997,233	\$14.20	6.77	\$ 7,772
Exercisable, September 30, 2022	2,117,574	\$15.63	4.85	\$ 4,059

The Company used the following weighted-average assumptions for options granted during the nine months ended September 30, 2022:

Expected term (in years)	6.02
Expected volatility	61.06 %
Risk free rate	2.26 %
Expected dividends	— %

As of September 30, 2022, there was approximately \$8,251 of total unrecognized compensation costs related to unvested stock options. These costs are expected to be recognized over a weighted-average period of 2.6 years.

Restricted and Performance Stock Units

A summary of the restricted and performance stock unit activity is as follows:

	Outstanding Stock Units			
	Stock Units	Weighted-Average Fair Value at Date of Grant per Share	Weighted Average Remaining Vesting Life	Aggregate Intrinsic Value (in thousands)
Unvested, December 31, 2021	1,730,765	\$ 18.45	1.51	\$ 19,633
Granted	1,916,963	\$ 8.31		
Released	(315,275)	\$ 14.12		
Forfeited	(331,260)	\$ 13.42		
Unvested, September 30, 2022	3,001,193	\$ 12.98	1.82	\$ 35,774

Performance Stock Units

At September 30, 2022, the total future stock compensation expense related to non-vested performance awards at maximum target payout is expected to be approximately \$3,774. As of September 30, 2022, there was approximately \$17,487 of total unrecognized compensation costs related to both the PSU and RSU unvested awards. The Company expects to recognize these costs over a weighted-average period of 2.8 years.

On March 16, 2022, the Compensation Committee of the Board of Directors approved PSUs that were tied to 2022, 2023 and 2024 revenue (the “2022 PSU award.”) The 2022 PSU award consists of a targeted award of 526,467 shares with a payout ranging from 0% to 150% upon achievement of specific revenue goals.

Employee Stock Purchase Plan

The Company also maintains the 2017 ESPP, which allows eligible employees to acquire shares of the Company’s common stock through payroll deductions at a discount to market price. A total of 600,000 shares of the Company’s common stock are authorized for issuance under the 2017 ESPP, and as of September 30, 2022, 126,674 shares remain available for issuance.

10. Net Loss Per Common Share

The following reflects the net loss attributable to common shareholders and share data used in the basic and diluted earnings per share computations using the two-class method:

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net loss	\$ (4,318)	\$ (7,141)	\$ (23,533)	\$ (21,699)
Denominator:				
Weighted-average common shares outstanding (Basic)	42,220,519	41,467,596	42,008,013	41,087,568
Weighted-average common shares outstanding (Diluted)	42,220,519	41,467,596	42,008,013	41,087,568
Net loss per common share (Basic and Diluted)	\$ (0.10)	\$ (0.17)	\$ (0.56)	\$ (0.53)
Anti-dilutive shares excluded from the calculation of diluted earnings per share ⁽¹⁾				
Stock options	3,132,722	1,471,539	3,083,519	1,308,191
Restricted stock units	441,866	542,074	498,966	359,895

(1) These common equivalent shares are not included in the diluted per share calculations as they would be anti-dilutive if the Company was in a net income position.

11. 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 a 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 condensed consolidated 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 federal tax authorities include the years ended December 31, 2019, through 2021.

12. Commitments and Contingencies

Service Agreements

On August 6, 2015, the Company entered into a License and Service Agreement ("CTS Agreement") with Community Blood Center, (d/b/a Community Tissue Service) ("CTS") which has been extended through December 31, 2023. In accordance with the CTS Agreement, the Company pays CTS a facility fee for use of clean room/manufacturing, storage and office space, which the Company accounts for as an embedded lease in accordance with ASC 842, *Leases*. The Company also pays CTS for service in support of its manufacturing process such as for routine sterilization of daily supplies, providing disposable supplies, microbial services and office support. The Company paid fees to CTS during the three months ended September 30, 2022, and 2021, of approximately \$541 and \$630, respectively, and during the nine months ended September 30, 2022, and 2021 of approximately \$1,785 and \$1,901 which are included in cost of goods sold on the accompanying condensed consolidated statements of operations.

In December 2011, the Company entered into a Master Services Agreement for Clinical Research and Related Services. The Company was required to pay \$51 upon execution of this agreement and the remainder monthly based on activities associated with the execution of Axogen's phase 3 pivotal clinical trial to support the BLA for Avance Nerve Graft. Payments made under this agreement were \$279 and \$362 for the three months ended September 30, 2022, and 2021, respectively, and \$963 and \$794 for the nine months ended September 30, 2022, and 2021, respectively.

Concentrations

Vendor

Substantially all of the Company's revenue is currently derived from five products, Avance Nerve Graft, Avive Soft Tissue Membrane (currently, market availability is suspended), Axoguard Nerve Protector, Axoguard Nerve Connector, and Axoguard Nerve Cap for the treatment of peripheral nerve damage. Of these five products, Avance Nerve Graft represents approximately half of the Company's total revenue. The Company has an exclusive distribution agreement with Cook Biotech for the purchase of Axoguard which expires June 30, 2027. The agreement with Cook Biotech establishes a formula for the transfer cost of the Axoguard products and requires certain minimum purchases by the Company, although, through mutual agreement, the parties have not established such minimums and to date have not enforced such provision.

The agreement allows for termination provisions for both parties. The loss of the ability to sell the Axoguard products could have a material adverse effect on the Company's business until other replacement products would be available.

Axogen Processing Center Facility

The Company is highly dependent on the continued availability of its processing facilities at the Community Blood Center facility ("CTS") in Dayton, Ohio and could be harmed if the physical infrastructure of this facility is unavailable for any prolonged period of time.

On July 31, 2018, the Company purchased the APC Facility in Vandalia, Ohio, located near the CTS processing facility where Avance Nerve Graft is currently processed. The APC Facility, when and if operational, will be the new processing facility for Avance Nerve Graft to provide continued capacity for growth and to support the transition of Avance Nerve Graft to a biologic product. The APC Facility is comprised of a 107,000 square foot building on approximately 8.6 acres of land. The Company paid \$731 for the land, which is recorded as land in property and equipment, net on the condensed consolidated balance sheet. The Company paid \$4,300 for the building which is recorded in projects in process in property and equipment, net on the condensed consolidated balance sheet.

On July 9, 2019, the Company entered into a Standard Form of Agreement Between Owner and Design-Builder with CRB Builders, L.L.C., ("CRB"), in which CRB will renovate and retrofit the APC Facility. For the three and nine months ended September 30, 2022, the Company recorded \$2,688 and \$8,119, respectively, of expenditures related to renovations and design and build in projects in progress. The Company has recorded \$43,534 from inception-to-date related to this project. In addition to these project costs, the Company has capitalized interest of \$1,450 and \$4,474 for the three and nine months ended September 30, 2022, and \$9,748 inception-to-date to the project. These items are recorded as projects in process in property and equipment, net on the condensed consolidated balance sheet.

Fair Value of the Debt Derivative Liabilities

The fair value of the Debt Derivative Liabilities was determined using a probability-weighted expected return model based upon four potential settlement scenarios for the Oberland Facility discounted to present value and compared to fair value of a plain vanilla note. The Company estimated the make-whole payments required under the Oberland Facility to generate an internal rate of return equal to 11.5% through the scheduled maturity dates, less the total of all quarterly interest and royalty payments previously paid to Oberland Capital. The calculation utilized the XIRR function in Microsoft Excel as required by the Oberland Facility. If the debt is not prepaid but instead is held to its scheduled maturities, the Company's estimate of the make-

whole payment for the first tranche and second tranches due on June 30, 2027, and June 30 2028, respectively, is approximately zero. The Company has consistently applied this approach since the inception of the debt agreement on June 30, 2020.

In the first quarter of 2022, the Company became aware that Oberland Capital may have an alternative interpretation of the calculation of the make-whole payments that the Company believes does not properly utilize the same methodology utilized by the XIRR function in Microsoft Excel as described in the Oberland Facility. The Company estimates the top end of the range of the make-whole payments if the debt is held to scheduled maturity under an alternative interpretation to be approximately \$9,200 for the first tranche of the Oberland Facility on June 30, 2027, and approximately \$3,600 for the second tranche of the Oberland Facility on June 30, 2028. Further, if the debt is prepaid prior to the scheduled maturity dates and subject to the alternative interpretation, the make-whole payment would be larger than the amounts herein. The make whole-payments as described above, have decreased due to rising interest rates; however, there have been no further updates since reported in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2021.

Legal Proceedings

The Company is and may be subject to various claims, lawsuits, and proceedings in the ordinary course of the Company's business. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. While there can be no assurances as to the ultimate outcome of any legal proceeding or other loss contingency involving the Company. In the opinion of management, such claims are either adequately covered by insurance or otherwise indemnified, or are not expected, individually or in the aggregate, to result in a material, adverse effect on the Company's financial condition, results of operations or cash flows. However, it is possible that the Company's results of operations, financial position and cash flows in a particular period could be materially affected by these contingencies.

On January 9, 2019, Plaintiff Neil Einhorn, on behalf of himself and others similarly situated, filed a putative class action complaint in the United States District Court for the Middle District of Florida alleging violations of the federal securities laws against Axogen, Inc., certain of its directors and officers ("Individual Defendants"), and Axogen's 2017 Offering Underwriters and 2018 Offering Underwriters (collectively, with the Individual Defendants, the "Defendants"), captioned Einhorn v. Axogen, Inc., et al., No. 8:19-cv-00069 (M.D. Fla.). Plaintiff asserts that Defendants made false or misleading statements in connection with the Company's November 2017 registration statement issued regarding its secondary public offering in November 2017 and May 2018 registration statement issued regarding its secondary public offering in May 2018, and during a class period of August 7, 2017 to December 18, 2018. In particular, Plaintiff asserts that Defendants issued false and misleading statements and failed to disclose to investors: (1) that the Company aggressively increased prices to mask lower sales; (2) that the Company's pricing alienated customers and threatened the Company's future growth; (3) that ambulatory surgery centers form a significant part of the market for the Company's products; (4) that such centers were especially sensitive to price increases; (5) that the Company was dependent on a small number of surgeons whom the Company paid to generate sales; (6) that the Company's consignment model for inventory was reasonably likely to lead to channel stuffing; (7) that the Company offered purchase incentives to sales representatives to encourage channel stuffing; (8) that the Company's sales representatives were encouraged to backdate revenue to artificially inflate metrics; (9) that the Company lacked adequate internal controls to prevent such channel stuffing and backdating of revenue; (10) that the Company's key operating metrics, such as the number of active accounts, were overstated; and (11) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects, were materially misleading and/or lacked a reasonable basis. Axogen was served on January 15, 2019. On February 4, 2019, the Court granted the parties' stipulated motion which provided that Axogen is not required to file a response to the complaint until thirty days after Plaintiff files a consolidated amended complaint. On June 19, 2019, Plaintiff filed an Amended Class Action Complaint, and on July 22, 2019, Defendants filed a motion to dismiss. Plaintiff filed opposing papers on August 12, 2019. The Court held a status hearing on September 11, 2019, and stayed all deadlines regarding the parties' obligations to file a case management report. On December 4, 2019, the parties presented oral arguments. On April 21, 2020, the Court dismissed the complaint without prejudice, finding the Plaintiff failed to state a claim upon which relief could be granted. The Plaintiff filed a Second Amended Class Action Complaint on June 22, 2020. Axogen filed a motion to dismiss on August 6, 2020. The Plaintiff filed an opposition on September 20, 2020. The Court held oral argument on February 25, 2021. On March 19, 2021, the Court dismissed the Second Amended Complaint with prejudice, finding again that the Plaintiff failed to state a claim upon which relief could be granted. On April 14, 2021, Plaintiff filed a notice of appeal. Plaintiff filed its opening brief on June 28, 2021. The Company filed its appellee brief on August 11, 2021. The Plaintiff filed a reply brief on September 14, 2021. The Eleventh Circuit heard oral argument the week of March 8, 2022. On August 1, 2022, the Eleventh Circuit affirmed the dismissal of the complaint with prejudice.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes thereto appearing elsewhere in this report and our consolidated financial statements for the year ended December 31, 2021, included in our Annual Report on Form 10-K.

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 subsidiaries Axogen Corporation (“AC”), Axogen Processing Corporation, and Axogen Europe GmbH.

OVERVIEW

We are the leading company focused specifically on the science, development and commercialization of technologies for peripheral nerve regeneration and repair. We are passionate about helping to restore peripheral nerve function and quality of life to patients with physical damage or transection to peripheral nerves providing innovative, clinically proven and economically effective repair solutions for surgeons and health care providers. Peripheral nerves provide the pathways for both motor and sensory signals throughout the body. Every day people suffer traumatic injuries or undergo surgical procedures that impact the function of their peripheral nerves. Physical damage to a peripheral nerve, or the inability to properly reconnect peripheral nerves, can result in the loss of muscle or organ function, the loss of sensory feeling or the initiation of pain.

Our platform for peripheral nerve repair features a comprehensive portfolio of products, including Avance Nerve Graft, a biologically active off-the-shelf processed human nerve allograft for bridging severed peripheral nerves without the comorbidities associated with a second surgical site; Axoguard Nerve Connector, a porcine (pig) submucosa ECM coaptation aid for tensionless repair of severed peripheral nerves; Axoguard Nerve Protector, a porcine submucosa extracellular matrix (“ECM”) product used to wrap and protect damaged peripheral nerves and reinforce the nerve reconstruction while preventing soft tissue attachments; Axoguard Nerve Cap, a porcine submucosa ECM product used to protect a peripheral nerve end and separate the nerve from the surrounding environment to reduce the development of symptomatic or painful neuroma; Avive Soft Tissue Membrane, a processed human umbilical cord intended for surgical use as a resorbable soft tissue conduit; and Axotouch Two-Point Discriminator, used to measure the innervation density of any surface area of the skin. Our portfolio of products is available in the U.S., Canada, Germany, the UK, Spain, South Korea, and several other countries.

As previously announced, we suspended the market availability of Avive Soft Tissue Membrane (“Avive”) effective June 1, 2021, and we continue discussions with the FDA to determine the appropriate regulatory classification and requirements for Avive. The suspension was not based on any safety or product issues or concerns with Avive. We seek to return Avive to the market, although we are unable to estimate the timeframe or provide any assurances that a return to the market will be achievable. Avive has historically represented approximately 5% of our revenues through the second quarter of 2021 and no Avive revenue was recorded during the nine months ended September 30, 2022.

Revenue from the distribution of our nerve repair products, Avance Nerve Graft, Axoguard Nerve Connector, Axoguard Nerve Protector, and Axoguard Nerve Cap in the United States is the main contributor to our total reported sales and has been the key component of our growth to date.

We have observed that surgeons are initially cautious adopters of nerve repair products. Surgeons typically start with a few cases and then wait and review the results of these initial cases. Active accounts are usually past this wait period and have developed some level of product reorder. These active accounts have typically gone through the Value Analysis Committee approval process, have at least one surgeon who has converted a portion of his or her treatment algorithms of peripheral nerve repair to our portfolio and have ordered our products at least six times in the last twelve months. As of September 30, 2022, we had 952 active accounts, an increase of 1.2% compared to the second quarter of 2022 of 941, and an increase of 2.4% from 930 (excluding the impact of Avive) from one year ago. Active accounts are approximately 85% of our revenue. The top 10% of these active accounts continue to represent approximately 35% of our revenue. As our business continues to grow, we have transitioned to reporting a new account metric that we believe demonstrates the strength of adoption and potential revenue growth in accounts that have developed a more consistent use of our products in their nerve repair algorithm. We refer to these as core accounts which we define as accounts that have purchased at least \$100,000 in the past twelve months. As of September 30, 2022, we had 331 core accounts, an increase of 10.7% compared to the second quarter of 2022 of 299, and an increase of 17.0% or 283 (excluding the impact of Avive) from one year ago. These core accounts represented approximately 60% of our revenue in the quarter, which has remained consistent over the past two years.

Results of Operations

Comparison of the Three Months Ended September 30, 2022, and 2021

The following table sets forth, for the periods indicated, our results of operations expressed as dollar amounts and percentage of total revenue:

	Three Months Ended September 30,			
	2022		2021	
	Amount	% of Revenue	Amount	% of Revenue
(dollars in thousands)				
Revenues	\$ 36,959	100.0 %	\$ 31,204	100.0 %
Cost of goods sold	6,176	16.7 %	5,239	16.8 %
Gross profit	30,783	83.3 %	25,965	83.2 %
Costs and expenses				
Sales and marketing	19,792	53.6 %	18,370	58.9 %
Research and development	7,050	19.1 %	6,404	20.5 %
General and administrative	8,796	23.8 %	7,880	25.3 %
Total costs and expenses	35,638	96.4 %	32,654	104.6 %
Loss from operations	(4,855)	(13.1) %	(6,689)	(21.4) %
Other (expense) income:				
Investment income	186	0.5 %	17	0.1 %
Interest expense	(61)	(0.2) %	(417)	(1.3) %
Change in fair value of derivatives	469	1.3 %	(46)	(0.1) %
Other expense	(57)	(0.2) %	(6)	— %
Total other expense, net	537	1.5 %	(452)	(1.4) %
Net Loss	\$ (4,318)	(11.7) %	\$ (7,141)	(22.9) %

Revenues

Revenues for the three months ended September 30, 2022 increased by \$5,755 or 18% to \$36,959 as compared to \$31,204 for the three months ended September 30, 2021. The increase in revenue was driven by an increase in unit volume of 12%, as well as a 3% increase in both prices and changes in product mix.

Gross Profit

Gross profit for the three months ended September 30, 2022, increased by \$4,818 or 19% to \$30,783 as compared to \$25,965 for the three months ended September 30, 2021. Gross margin was 83% for each of the three months ended September 30, 2022, and 2021.

Costs and Expenses

Total costs and expenses increased by \$2,984 or 9% to \$35,638 for the three months ended September 30, 2022, as compared to \$32,654 for the three months ended September 30, 2021. The increase in total operating expenses was a result of compensation costs of \$2,636 and occupancy related expenses of \$523, partially offset by certain other costs.

Sales and marketing expenses increased \$1,422 or 8% to \$19,792 for the three months ended September 30, 2022, as compared to \$18,370 for the three months ended September 30, 2021. This increase was primarily attributable to compensation cost of \$1,528 partially offset by a decrease in marketing programs totaling \$213.

Research and development expenses increased \$646 or 10% to \$7,050 for the three months ended September 30, 2022, as compared to \$6,404 for the three months ended September 30, 2021. The increase was primarily due to product development and clinical expenses. Product development costs include spending in a number of specific programs including the non-clinical expenses related to the BLA for Avance Nerve Graft and a next generation Avance product. Product development expenses represented approximately 50% of total research and development expense for each of the three months ended September 30, 2022, and 2021. Clinical trial expenses represented approximately 50% of total research and development expense for each of the three months ended September 30, 2022, and 2021.

General and administrative expenses increased \$916 or 12% to \$8,796 for the three months ended September 30, 2022, as compared to \$7,880 for the three months ended September 30, 2021. The increase was primarily due to compensation expenses of \$1,239 partially offset by a decrease in professional service fees of \$394.

Other Expense and Income

Interest expense decreased to \$61 for the three months ended September 30, 2022, as compared to \$417 for the three months ended September 30, 2021. The decrease was primarily due to Company exceeding the maximum annual revenue participation threshold of \$70,000 during the third quarter of 2022. We recognized total interest charges of \$1,474 and \$1,438 in connection with the Oberland Facility in the three months ended September 30, 2022, and 2021, respectively, \$1,450 and \$1,338 of this interest was capitalized to the construction costs of the APC Facility during the third quarter of 2022 and 2021, respectively. See Note 6. Fair Value for information regarding the change in fair value of the derivatives.

Income Taxes

We had no income tax expense or benefit during the three months ended September 30, 2022, and 2021 due to the incurrence of net operating losses in each of these periods, the benefits of which have a full valuation allowance. We do not believe that there are any additional tax expenses or benefits currently available.

Comparison of the Nine Months Ended September 30, 2022, and 2021

	Nine Months Ended September 30,							
	2022			2021				
	Amount	% of Revenue		Amount	% of Revenue			
(dollars in thousands)								
Revenues	\$	102,420	100.0	%	\$	95,821	100.0	%
Cost of goods sold		18,006	17.6	%		17,503	18.3	%
Gross Profit		84,414	82.4	%		78,318	81.7	%
Cost and expenses								
Sales and marketing		60,349	58.9	%		55,594	58.0	%
Research and development		20,347	19.9	%		17,875	18.7	%
General and administrative		27,817	27.2	%		24,912	26.0	%
Total costs and expenses		108,513	105.9	%		98,381	102.7	%
Loss from operations	\$	(24,099)	(23.5)	%		(20,063)	(20.9)	%
Other (expense) income:								
Investment (expense) income		172	0.2	%		80	0.1	%
Interest expense		(664)	(0.6)	%		(1,427)	(1.5)	%
Change in fair value of derivatives		1,155	1.1	%		(152)	(0.2)	%
Other expense		(97)	(0.1)	%		(137)	(0.1)	%
Total other (expense) income, net		566	0.6	%		(1,636)	(1.7)	%
Net Loss	\$	(23,533)	(23.0)	%	\$	(21,699)	(22.6)	%

Revenues

Revenues for the nine months ended September 30, 2022, increased 7% to \$102,420 as compared to \$95,821 for the nine months ended September 30, 2021. The increase in revenue was driven by an increase unit volume of 1%, as well as a 3% price increase and a 2% increase from changes in product mix. Excluding the impact of Avive revenue of \$3,575 in the nine months ended September 30, 2021, revenue would have increased approximately 11%.

Gross Profit

Gross profit for the nine months ended September 30, 2022, increased 8% to \$84,414 as compared to \$78,318 for the nine months ended September 30, 2021. Gross margin was constant at 82% for each of the nine months ended September 30, 2022 and 2021. In the prior year we recorded a \$1,429 charge in the second quarter, reflecting the write-down of inventory and related production costs due to the suspension of market availability of Avive.

Costs and Expenses

Total costs and expenses increased 10% to \$108,513 for the nine months ended September 30, 2022, as compared to \$98,381 for the nine months ended September 30, 2021. The increase in total operating expenses was a result of the following: (i) compensation expense of \$4,760, primarily due to an increase in head count and stock-based compensation; (ii) research and development projects of \$1,759; (iii) travel cost of \$1,564 due to increased travel as a result of the return of sales travel to hospitals and physician offices; (iv) \$1,263 of occupancy costs; and (v) marketing programs of \$641.

Sales and marketing expenses increased 9% to \$60,349 for the nine months ended September 30, 2022, as compared to \$55,594 for the nine months ended September 30, 2021. This increase was primarily attributable to the following: (i) compensation related expenses of \$2,911 primarily due to increase in headcount; (ii) travel related expenses of \$1,105, as hospital access and restrictions improved; and (iii) marketing development programs of \$641.

Research and development expenses increased 14% to \$20,347 for the nine months ended September 30, 2022, as compared to \$17,875 for nine months ended September 30, 2021. The increase was primarily due to compensation related

product development and clinical expenses of \$1,759 and occupancy cost of \$432. Product development costs include spending in a number of specific programs including the non-clinical expenses related to the BLA for Avance Nerve Graft and a next generation Avance product. Product development expenses represented approximately 51% of total research and development expense during each of the nine months ended September 30, 2022, and 2021. Clinical trial expenses represented approximately 49% of total research and development expense for each of the nine months ended September 30, 2022, and 2021.

General and administrative expenses increased 12% to \$27,817 for the nine months ended September 30, 2022, as compared to \$24,912 for the nine months ended September 30, 2021. The increase was primarily due to net compensation related expenses of \$1,829, occupancy-related costs of \$526, and consulting expenses of \$298.

Other Income and Expenses

Total other income was \$566 for the nine months ended September 30, 2022, compared to expense of \$1,636 for the nine months ended September 30, 2021. The change was primarily due to the non-cash change in the fair value of the derivative of \$1,307 year-over-year. We recognized total interest charges of \$4,304 and \$3,418 in connection with the Oberland Facility during the nine months ended September 30, 2022, and 2021, respectively, \$4,474, and \$2,526 of this interest was capitalized to the construction costs of the APC Facility during the nine months ended September 30, 2022, and 2021, respectively. See Note 6. Fair Value for information regarding the change in fair value of the derivatives.

Income Taxes

We had no income tax expense or benefit for each of the nine months ended September 30, 2022, and 2021, due to the incurrence of net operating losses in each of these periods, the benefits of which have been a full valuation allowance. We do not believe that there are any additional tax expenses or benefits currently available.

Critical Accounting Policies

In preparing financial statements, we follow accounting principles generally accepted in the United States, which require us to make certain estimates and apply judgments that affect our financial position and results of operations. Management regularly reviews our accounting policies and financial information disclosures. A summary of significant accounting policies that require the use of estimates and judgments in preparing the financial statements was provided in our 2021 Annual Report on Form 10-K. During the quarter and nine months covered by this report, there were no material changes to the accounting policies and assumptions previously disclosed.

Liquidity and Capital Resources

Cash Flow Information

As of September 30, 2022, our principal sources of liquidity were our cash and cash equivalents and investments totaling \$59,361. Our cash equivalents are comprised of a money market mutual fund and our investments are comprised of short-term commercial paper and U.S. Treasuries. Our cash and cash equivalents and investments decreased \$30,976 from \$90,337 at December 31, 2021, primarily as a result of operating activities and renovating the APC Facility.

We had working capital of \$78,907 and a current ratio of 4.4x at September 30, 2022, compared to working capital of \$102,756 and a current ratio of 5.2x at December 31, 2021. The decrease in the current ratio at September 30, 2022, as compared to December 31, 2021, was primarily due to cash used in operations and to renovate the APC Facility, which is included in non-current assets and used in operations. Based on current estimates, we believe that our existing cash and cash equivalents and investments, as well as cash provided by sales of our products will allow us to fund our operations through at least the next 12 months.

Our future capital requirements depend on a number of factors including, without limitation, our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the acquisition and/or development of new products and the cost of products. We could face increasing capital needs. Such capital needs could be substantial depending on the extent to which we are unable to increase revenue.

If we need additional capital in the future, we 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 our shareholders. There is no assurance that we will be able to secure funding on terms acceptable to us, 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 us as

needed, we may be required to take certain actions, such as slowing sales and marketing expansion, delaying regulatory approvals, or reducing headcount.

Cash Flow Information

The following table presents a summary of cash flows from operating, investing and financing activities:

(In thousands)	Nine Months Ended September 30,	
	2022	2021
Net cash (used in) provided by:		
Operating activities	\$ (17,428)	\$ (11,891)
Investing activities	(1,991)	(10,064)
Financing activities	981	19,409
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (18,438)</u>	<u>\$ (2,546)</u>

Net Cash Used in Operating Activities

Net cash used in operating activities was \$17,428 and \$11,891 during the nine months ended September 30, 2022, and 2021, respectively. The unfavorable change in net cash used in operating activities of \$5,537 or 47% is due to the following: (i) the net unfavorable change of \$4,000 in working capital accounts and the increase in net loss of \$1,834.

Net Cash Used in Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2022, was \$1,991 as compared to \$10,064 for the nine months ended September 30, 2021, a decrease of \$8,073 or 80%. The decrease of net cash used in investing activities is principally due to the reduction in purchases of property and equipment of \$7,185 and in the net proceeds from the sale and purchase of investments totaling \$2,332 partially offset by the increase in cash payments for intangible assets of \$494 during the nine months ended September 30, 2022.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$981 and \$19,409 for the nine months ended September 30, 2022, and 2021, respectively, a decrease of \$18,428 or 95%. The unfavorable change in net cash provided by financing activities was primarily due to the \$15,000 of proceeds from the issuance of long-term debt and \$4,421 in proceeds from the exercise of stock options received during the nine months ended September 30, 2021 compared to \$990 in proceeds received from the exercise of stock options received during the nine months ended September 30, 2022.

Operating Cash Requirements

APC Facility Commitment

July 9, 2019, we entered into the Standard Form of Agreement Between Owner and Design-Builder with CRB (the "Design Build Agreement"). The estimated cost pursuant to the Design-Build Agreement is \$29,300. Additional costs associated with the renovation, purchasing of furniture and equipment, validation and certification of the APC Facility are estimated to be \$20,900, plus projected capitalized interest of \$11,300. We have recorded \$53,302 to date related to this project, which includes capitalized interest of \$9,748. We anticipate spending \$7,245, which includes projected capitalized interest of \$2,360; \$2,585 of the remaining total is anticipated to be spent in 2023. Construction of the facility is now substantially complete. We anticipate completion of validation and certification of the facility by early 2023, followed by commencement of tissue processing in the facility.

Credit Facilities

On June 30, 2020, we entered into the Oberland Facility and obtained the first tranche of \$35,000 at closing. On June 30, 2021, the second tranche of \$15,000 was drawn down by the Company. The financing costs for this facility were \$642 and were recorded as a contra liability to the debt facility.

The Oberland Facility requires quarterly interest payments for seven years. Interest is calculated as 7.5% plus the greater of LIBOR or 2.0% (9.8% as of September 30, 2022). Each tranche of the Oberland Facility has a term of seven years from the date

of issuance (with the first tranche issued on June 30, 2020, maturing on June 30, 2027, and the second tranche issued on June 30, 2021, maturing on June 30, 2028). In connection with the Oberland Facility, we entered into a revenue participation agreement with Oberland Capital, which provides that, among other things, a quarterly royalty payment as a percentage of our net revenues, up to \$70 million in any given year, subject to certain limitations set forth therein, during the period commencing on the later of (i) April 1, 2021 and (ii) the date of funding of a tranche of the loan, and ending on the date upon which all amounts owed under the Oberland Facility have been paid in full (the “Revenue Participation Agreement”). Royalty payments commenced on September 30, 2021. This royalty structure results in approximately 1.0% per year of additional interest payments on the outstanding loan amount. Upon maturity or upon such earlier repayment of the Oberland Facility, we will repay the principal balance and provide a make-whole payment calculated to generate an internal rate of return to Oberland Capital equal to 11.5%, less the total of all quarterly interest and royalty payments previously paid to Oberland Capital.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of our market risks, refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” included in our 2021 Annual Report on Form 10-K. There have been no material changes to any of these risks since December 31, 2021.

The amount of interest expense on the outstanding debt is based on LIBOR. Based on the outstanding balance of the debt as of September 30, 2022 a hypothetical 100 basis point increase in the applicable rate would result in an increase to our annual interest expense of \$500.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (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 our disclosure controls and procedures as of September 30, 2022, and concluded that our disclosure controls and procedures were effective.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2022, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(d) or 15d-15(f) of the Exchange Act).

PART II –OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

As disclosed in "Note 12 - Commitments and Contingencies" in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, we are engaged in certain legal proceedings, and the disclosure set forth in Note 12 relating to legal proceedings is incorporated herein by reference.

ITEM 1A - RISK FACTORS

There have been no material changes to the risk factors disclosed in our 2021 Annual Report on Form 10-K, except as set forth below. Any investment in our business involves a high degree of risk. Before making an investment decision, you should carefully consider the information we include in this Quarterly Report on Form 10-Q, including our unaudited interim condensed consolidated financial statements and accompanying notes, our Annual Report on Form 10-K for the year ended December 31, 2021, including our financial statements and related notes contained therein, and the additional information in the other reports we file with the Securities and Exchange Commission. These risks may result in material harm to our business and our financial condition and results of operations. In this event, the market price of our common stock may decline and you could lose part or all of your investment. Additional risks that we currently believe are immaterial may also impair our business operations. Our business, financial conditions and future prospects and the trading price of our common stock could be harmed as a result of any of these risks.

We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability, an ongoing military conflict between Russia and Ukraine, and record inflation. Our business, financial condition and results of operations could be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine, geopolitical tensions, or record inflation.

We are exposed to the risk of changes in social, geopolitical, legal, and economic conditions. The global economy has been, and may continue to be, negatively impacted by Russia's invasion of Ukraine. As a result of Russia's invasion of Ukraine, the United States, the European Union, the United Kingdom, and other G7 countries, among other countries, have imposed substantial financial and economic sanctions on certain industry sectors and parties in Russia. Broad restrictions on exports to Russia have also been imposed. These measures include: (i) comprehensive financial sanctions against major Russian banks; (ii) additional designations of Russian individuals with significant business interests and government connections; (iii) designations of individuals and entities involved in Russian military activities; and (iv) enhanced export controls and trade sanctions limiting Russia's ability to import various goods.

Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine has led to market disruptions, including significant volatility in commodity prices, credit markets, as well as supply chain interruptions, which has contributed to record inflation globally. In addition, the ongoing Russian military actions and the resulting sanctions could continue to adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, potentially making it more difficult for us to obtain additional funds. We are continuing to monitor inflation, the situation in Ukraine and global capital markets and assessing its potential impact on our business.

Although, to date, our business has not been materially impacted by the ongoing military conflict between Russian and Ukraine, geopolitical tensions, or record inflation, it is impossible to predict the extent to which our operations will be impacted in the short and long term, or the ways in which such matters may impact our business. The extent and duration of the conflict in Ukraine, geopolitical tensions, record inflation and resulting market disruptions are impossible to predict but could be substantial. Any such disruptions may also magnify the impact of other risks described in our 2021 Annual Report on Form 10-K.

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	First Amendment to Lease Agreement dated as of August 22, 2022, by and between Axogen Corporation and Ja-Cole, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on August 25, 2022).
10.2	Eighth Amendment to License and Services Agreement, dated as of August 22, 2022, by and between Axogen Corporation and Community Blood Center (d/b/a Community Tissue Services) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on August 25, 2022).
10.3**	<u>Confidential Separation Agreement and Release of Claims dated July 19, 2022 by and between Axogen Corporation and Eric Sandberg.</u>
31.1†	<u>Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2†	<u>Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32††	<u>Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS†	XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH†	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.
104	Cover Page Interactive Data File – The cover pages do not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

† Filed herewith.

†† Furnished herewith.

** Management contract or compensatory plan or arrangement.

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: November 8, 2022

/s/ Karen Zaderej

Karen Zaderej
Chief Executive Officer and President
(Principal Executive Officer)

Dated: November 8, 2022

/s/ Peter J. Mariani

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

CONFIDENTIAL SEPARATION AGREEMENT AND RELEASE OF CLAIMS

This Confidential Separation Agreement And Release of Claims and Exhibits hereto ("Separation Agreement"), by and between Axogen (the "Company"), and Eric Sandberg, an individual ("Employee") (individually known as a "Party" and collectively known as the "Parties"), provides for the terms of the separation of Employee's employment with the Company and the release by Employee of all actual or potential claims arising out of his employment, including the termination of his employment with the Company.

WHEREAS the Employee's employment with the Company will end no later than July 19, 2022 (the "Separation Date") and the Company and the Employee are desirous of amicably ending the employment relationship and waive all claims that Employee has or claims to have against Axogen, including any and all issues and claims surrounding or involving Employee's employment at and separation from employment with Axogen.

WHEREAS the Company and Employee are Parties to The Amended and Restated Employment Agreement (the "Employment Agreement") dated November 1, 2020;

WHEREAS, Employee and the Company also entered into a Confidentiality, Intellectual Property, Non-Competition and Non-Solicitation Agreement dated November 1, 2020 (the "Restrictive Covenant Agreement");

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Employee, intending to be legally bound, hereby agree as follows:

1. Recitals. The above recitals are true and correct and adopted as if fully set forth herein.

(a) Separation. Employee's employment with the Company will end on July 19, 2022 (the "Separation Date") unless otherwise agreed to by the Parties in writing.

(b) Employee acknowledges that he will return all Company property by July 19, 2022, including, in good condition and without limitation, any company-issued equipment, any keys, credit cards, documents, papers, files, data, correspondence, memoranda, reports, manuals, notes, records, customer lists, marketing or sales goals or plans, furniture, computer hardware or software, and all electronic files. Employee additionally agrees to retain no copies, whether in hard copy or electronic format, of any Company documents, papers, either complete or partial, any files, data, correspondence (except related specifically to his employment), memoranda, reports, manuals, notes, records, customer lists, or marketing or sales goals or plans, confidential information, trade secrets or materials as defined in the Restrictive Covenant Agreement, in the Employee's control or possession. (Exhibit A)

2. Separation Benefit. The Company agrees to provide Employee the Separation Benefit(s) as set forth below:

- (a) A lump sum payment in the amount Five Hundred Twenty-One Thousand Thirty-Nine 54/100 Dollars (\$521,039.54) equivalent to (i) twelve (12) month's base salary (\$367,640.00) and (ii) the amount equal to 100 % of any bonuses or commissions paid to Employee during the year prior to Employee's termination of employment (\$153,399.54).
- (b) Employee's participation in all Company-paid employee benefit plans will cease as of the Separation Date unless Employee elects to continue his group health insurance coverage pursuant to the federal Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"). Employee and his dependents covered under the Company's group health insurance plan will be provided with notice of COBRA rights and COBRA election forms. If Employee elects COBRA benefits after the Separation Date, the Company agrees to reimburse to Employee for twelve (12) months of COBRA premium payments or 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 Employee obtains new employment that provides reasonable and comparable health care coverage. If the Employee does not obtain new employment that provides reasonable and comparable healthcare coverage, after the initial twelve (12) month period, the Employee may elect to continue his COBRA coverage at his own expense.
- (c) Employee acknowledges and agrees that, except for accrued salary and accrued SPV time (160 hours; \$28,280.00) owing through the Separation Date and the Separation Benefit described in this paragraph, he is not entitled to any other salary, compensation, benefits, bonuses or perquisites from the Company, except for any vested benefits that Employee has in any stock options (pension, retirement or other benefit plans) of the Company.

The payments will be subject to usual and customary tax withholdings and deductions (i.e., federal, state, social security, and Medicare taxes). The Separation Benefit stated herein shall be paid in lump sum on the first payroll date no later than the latter of 60 days following the expiration of the Revocation Period or the return of Company property.

Employee agrees he has made no claims of sexual discrimination or harassment and therefore neither party believes the Tax Cuts and Jobs Act of 2017 Section 162(q) is applicable to this release. Nevertheless, Employee agrees the Company has not made any representations to him regarding the legal tax consequences of any funds received pursuant to this Agreement. Employee agrees to pay any federal or state taxes remaining due which may be required to be paid with respect to this amount and agrees to indemnify and hold the Company harmless for any tax liability whatsoever.

The benefits under this Agreement are intended to fall within the separation pay exception to Internal Revenue Code Section 409A as described in Treasury Regulation Section 1.409A-1(b)(9). To the extent that benefits under this Agreement are or become subject to Code Section 409A, the Agreement shall be interpreted and construed to the fullest extent allowed under Code Section 409A and the applicable regulations and other guidance thereunder to satisfy the requirements of an exception from the application of Code Section 409A or alternatively to

the requirements of an exception from the application of Code Section 402A or, alternatively, to

comply with such Code Section and the applicable regulations and other guidance thereunder, and to avoid any additional tax thereunder. To the extent compliance with the requirements of Treasury Regulation Section 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Code Section 409A to payments due to Employee upon or following his separation from service, then notwithstanding any other provision of this Agreement, any such payments that are otherwise due within six (6) months following Employee's separation from service will be deferred without interest and paid to Employee in a lump sum immediately following that six (6) month period.

3. Release of the Company. In exchange for the promises described in Paragraph 3 above, Employee, for himself, his heirs, relatives by blood and marriage, executors, beneficiaries, administrators, successors, assigns and trustees, hereby releases and discharges the Company, each of its affiliates, and the agents, representatives, directors, board members, employees, officers, successors, assigns and attorneys of either the Company or any of its affiliates (collectively, "Releasees"), and all persons acting by, through, under, or in concert with any of the Releasees, from any and all actions, causes of action, suits, debts, claims, liabilities and demands of any nature, at law or in equity, that he has ever had or now has, from the beginning of time to the Effective Date of this Separation Agreement, by reason of any matter, cause or thing, whether actual or potential, whether known or unknown, whether suspected or unsuspected, whether specifically mentioned in this Separation Agreement or not, that may exist or might be claimed to exist or that may in the future arise by reason of any association or relationship among the parties prior to the Effective Date. This discharge and release includes, without limitation, the following:

- claims arising out of or relating to Employee's employment relationship with the Company or the termination of that relationship and claims involving any actual, compensatory or punitive damages or continuing or future effects arising out of or resulting from any actions or practices that took place or arose before the Effective Date of this Separation Agreement;

- claims arising from any alleged violation by the Company or any other of the Releasees of any federal, state or local statutes, regulations, ordinances or common laws, including the Fair Labor Standards Act, the Age Discrimination in Employment Act of 1967, as amended ("ADEA"), Title VII of the Civil Rights Act of 1964, as amended, Section 1981 of the Civil Rights Act of 1866, The Rehabilitation Act of 1973, The Family Medical Leave Act ("FMLA"), the Americans with Disabilities Act, the Employee Retirement Income Security Act of 1974, as amended, The Health Insurance Portability and Accountability Act, The Occupational and Safety Health Act, The Equal Pay Act, The Uniformed Services Employment and Re-employment Act of 1994, Executive Orders 11246 and 11141, The Sarbanes-Oxley Corporate Reform Act of 2002, 15 U.S.C. 7201, et seq., any state law, including any claim or violation under the Florida Civil Rights Act of 1992, the Florida Private Whistleblower Act, the Florida Equal Pay Act, claims under Florida's Worker's Compensation Anti-Retaliation Provision, Florida's Wage Rate Provision, Florida Minimum Wage, Annual Wage Adjustment, Florida's Attorney's Fees Provision for Successful Litigations in Suits for Unpaid Wages, including all amendments thereto; and claims for attorneys' fees, legal expenses or costs pursuant to any of these statutes or any other basis;

- claims arising out of or related to an express or implied employment contract or a covenant of good faith and fair dealing;



- tort claims, whether common law or statutory, federal or state; and
- claims for wages, bonuses, benefits, salary continuation, severance pay, perquisites, monetary or equitable relief, or attorneys' fees.

Without waiving any prospective rights under the FMLA, Employee admits that Employee has received from the Company all rights and benefits, if any, potentially due to Employee pursuant to the FMLA. Similarly, Employee expressly acknowledges that the Company has paid Employee in full for all wages due, and no outstanding claims or charges are pending under the FLSA or other laws. The parties intend to release all claims which can legally be released, but no more than that. By entering into this Agreement, it is Employee's intent to waive and release all claims and potential claims against the Releasees, save and except a claim against the Company for unemployment benefits. In the unlikely event that a claim or potential claim (save and except a claim for unemployment benefits) has been omitted from this Release, Employee hereby assigns and conveys said claim(s) and potential claim(s) to the Company in exchange for the Company's obligations herein.

Except as otherwise provided in this Separation Agreement, Employee will not initiate any action against the Company or any of the Releasees to assert any such claims. If any claims are asserted by Employee or on his behalf by any third party, Employee hereby waives his right to damages of any kind in connection with the assertion of such claim or claims. Employee further will indemnify and hold the Company and the other Releasees harmless from and against any and all losses, costs, judgments, damages, or expenses, including attorneys' fees and expert fees, incurred by it or them in defense, should Employee or any third party on behalf of Employee assert any claim or cause of action that has been discharged and released by virtue of the release and discharge set forth above.

Notwithstanding the foregoing, the release and discharge set forth in this Paragraph 3 is not intended to and does not apply to any claims for breach of this Agreement.

4. Administrative Claims. Nothing in this Agreement shall be interpreted or applied in a manner that affects or limits Employee's otherwise lawful ability to bring an administrative charge with, to participate in an investigation conducted by, or to participate in a proceeding involving the U.S. Equal Employment Opportunity Commission, National Labor Relations Board, or other comparable state or local administrative agency. However, Employee specifically agrees that the consideration provided to him in this Agreement represents full and complete satisfaction of any monetary relief or award that could be sought or awarded to him in any administrative action (including any proceedings before the U.S. Equal Employment Opportunity Commission or other comparable state or local agency) arising from events related to his employment with Company or the termination thereof.

Additionally, nothing in this Agreement shall be interpreted or applied in a manner that affects or limits Employee's ability to challenge this Agreement's compliance with notice and time-period requirements of the ADEA.

5. Medicare/Medicaid Treatment. Employee affirms, covenants, and warrants that Employee has made no claim for illness or injury against, nor is Employee aware of any facts supporting any claim against, the Releasees under which the Releasees could be liable for medical expenses incurred by Employee before or after the execution of this Separation

medical expenses incurred by Employee before or after the execution of this Separation

Agreement. Furthermore, Employee is aware of no medical expenses that Medicare has paid and for which the Releasees are or could be liable now or in the future. Employee agrees and affirms that, to the best of Employee's knowledge, no liens of any governmental entities, including those for Medicare conditional payments, exist.

6. Other Complaints, Charges, etc. Employee represents that he has not filed any complaints, claims, actions, or charges against Company or Releasees with any state, federal, or local agency or court; that he knows of no facts which may lead to any complaints, claims, actions, or charges against Company or Releasees in or through any state, federal, or local agency or court; and that he has not made Company aware of any facts which may lead to any complaints, claims, actions, or charges against Company or Releasees in or through any state, federal, or local agency or court.

7. Cooperation. Employee agrees that he will make himself available for consultation and assistance in investigating and resolving any issues arising out of Employee's employment with or employment termination from Company. To the extent that any legal matters arise that are in any way related to Employee's employment with Company and require Employee's involvement in order to be appropriately resolved, Employee agrees to cooperate fully with Company, upon Company's request, in the resolution of such matter. Should it become necessary for Employee to provide consultation or assistance in person, Company will pay any reasonable costs associated with requiring him to travel to Company or elsewhere for such consultation or assistance.

8. Nondisclosure. Employee will not disclose or cause to be disclosed in any way any information or documents relating to the operations of the Company or any of its affiliates, including, without limitation, any trade secrets, proprietary or confidential information as set forth more fully in the Restrictive Covenant, the terms of this Separation Agreement, the facts and circumstances giving rise to this Separation Agreement, or the fact that this Separation Agreement exists, except for the purpose of enforcing this Separation Agreement or as may otherwise be required by law; except that Employee shall not be prevented from discussing the terms of this Separation Agreement with members of his immediate family, his accountant or financial advisor, and attorneys he may consult for legal advice. Notwithstanding the above, nothing in this Separation Agreement is intended to prohibit good faith reporting of possible violations of applicable law or regulation to any government agency or entity, or in making disclosures where such disclosures are protected under applicable law or regulation.

9. Non-admission of Liability. Employee acknowledges and agrees that the Company's offer of this Separation Agreement and the payments outlined in Paragraph 2 are in no way an admission by the Company that it (or any of its Releasees) has any obligation or liability to Employee.

10. Right To Consider Agreement/ADEA/OWBPA. Employee acknowledges and agrees that:

(a) I have carefully read the Separation Agreement;

(b) I understand and voluntarily, of my own free will, agree to all of the terms set forth in the Separation Agreement, and knowingly and voluntarily intend to be legally bound by the same.

(c) I have been advised in this writing that I may consult with a legal counsel of my choice regarding this Separation Agreement and its effects, and have had the opportunity to so consult;

(d) I have a full twenty-one (21) days within which to consider this Separation Agreement before executing it and understand that any changes to this Separation Agreement, whether material or immaterial, do not restart the running of the twenty-one (21) day period;

(e) If I sign this Separation Agreement prior to the expiration of the twenty-one (21) day period, I do so voluntarily and thereby waive the remainder of the twenty-one (21) day period;

(f) I understand that by signing this Separation Agreement, I am giving up certain rights, including, but not limited to, any and all claims under the Age Discrimination in Employment Act of 1967;

(g) I have not been forced or pressured in any way to sign this Agreement;

(h) I knowingly and voluntarily release Releasees from any and all claims I may have, known or unknown, in exchange for the monetary and other benefits I will obtain by signing this Separation Agreement, and I acknowledge that these benefits are in addition to any benefits that I would have otherwise received if I did not sign this Separation Agreement;

(i) I understand that I may revoke this Release at any time within seven (7) days following the date I signed it ("Revocation Period") by providing written notification to Maria Martinez, Chief Human Resources Officer, 13631 Progress Boulevard, Suite 400, Alachua, FL 32615 and that the Release shall not become effective or enforceable until the Revocation Period has expired I understand and agree that the Company will not be required to provide the consideration set forth in this Separation Agreement unless this Separation Agreement;

(j) I understand that any rights or claims that may arise after the date this Separation Agreement is executed are not waived.

The effective date of this Separation Agreement (the "Effective Date") will be the eighth day after Employee signs it, provided he has not revoked his acceptance and further provided that it has not been revoked by the Company prior to him signing it. The Company will not be obligated to make any payment or take any action as required by this Separation Agreement until it becomes fully effective. Should Employee revoke his acceptance, this Separation Agreement will not be effective or enforceable in any respect and Employee will not receive the benefits provided for in Paragraph 2 above. Should Employee not accept the terms of this Separation Agreement by signing and returning this Separation Agreement to the Company by the 22nd day after the presentation date, the offers of the Company set forth in this Separation Agreement will be revoked.



11. Non-disparagement. Employee shall not at any time make any voluntary statement of any kind or make any untrue statement while under any compulsory legal process, that is calculated to, or that foreseeably will, damage the business or reputation of the Company, any of its affiliates, or any of their respective directors, officers or employees. Notwithstanding the above, nothing in this Separation Agreement is intended to prohibit good faith reporting of possible violations of applicable law or regulation to any government agency or entity, or in making disclosures where such disclosures are protected under applicable law or regulation.

12. Entire Agreement. This Separation Agreement and exhibits hereto contain all of the terms and conditions agreed upon by the parties with respect to the termination of Employee's employment and supersedes any prior agreements or understandings between them concerning the subject matter of this Separation Agreement, including, without limitation, any severance pay or salary continuation plan. However, nothing in this Separation Agreement in any way impacts or supersedes the obligations set forth in Restrictive Covenant Agreement (Exhibit A to the Employment Agreement attached hereto as Exhibit B) which shall remain in full force and effect. Any modifications to this Separation Agreement must be in writing and signed by both parties.

13. Counterparts. This Separation Agreement may be executed in counterparts, each of which will be deemed to be an original and all of which together will be deemed to be one and the same instrument.

14. Assignment and Successorship. This Separation Agreement, and the rights and obligations of the Company hereunder, may be assigned by the Company and shall inure to the benefit of and shall be enforceable by any such assignee, as well as any of the Company's successors in interest or nominees. This Separation Agreement, and the rights and obligations Employee has hereunder, may not be assigned by Employee. The release in this Separation Agreement is binding on Employee's heirs, executors, administrators, successors, and assigns.

15. Governing Law. This Separation Agreement and exhibits hereto and all transactions contemplated by this Separation Agreement shall be governed by and enforced in accordance with the internal laws of the state of Florida, without regard to principles of conflicts of laws.

16. Jurisdiction and Venue. The Parties acknowledge that a substantial portion of negotiations anticipated performance and execution of this Separation Agreement and the attached 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 Separation Agreement or that Exhibits hereto, shall be brought in the courts of record of the state of Florida in Alachua County or the US District Court for the Northern District of Florida, Gainesville Division; (b) consent to the jurisdiction of each such court in any such suit, action or proceeding; and (c) waive any objection which they may have to the venue of any such suit, action or proceeding in any of such courts.

17. Severability. The provisions of this Separation Agreement are severable and independent, and if any word, phrase, clause or sentence of it is found to be illegal or unenforceable for any reason, the balance of the Separation Agreement will remain in full force and effect.



IN WITNESS WHEREOF, the undersigned have executed this Separation Agreement as of the dates set forth below.

AXOGEN

Date: 7/28/2022

By 
Name: Maria Martinez
Title: Chief Human Resources Officer

Date: 7/28/2022


Employee Signature



EXHIBIT A

CERTIFICATE OF RETURN OF PROPERTY AND CONFIDENTIAL INFORMATION

The undersigned certifies, pursuant to the Separation Agreement with Axogen Corporation ("AXOGEN") dated July 19, 2022, that he has returned to AXOGEN all property and Confidential Information (as defined in the Separation Agreement) belonging to AXOGEN or any of its affiliates and has not retained any copies thereof in any form.

EMPLOYEE:

DocuSigned by:

Eric Sandberg

6215FE5908D040E...

Signature

Eric Sandberg

Printed Name

Dated: 7/28/2022



Exhibit B

Confidentiality, Intellectual Property, Non-Competition And Non-Solicitation Agreement



EXHIBIT A

CONFIDENTIALITY, INTELLECTUAL PROPERTY, NON-COMPETITION AND NON-SOLICITATION AGREEMENT

This Confidentiality, Intellectual Property, Non-Competition and Non-Solicitation Agreement (this "IP and NCNS Agreement") is effective as of November 1, 2020 (the "Effective Date") by and between Axogen Corporation, having a place of business at 13631 Progress Blvd., Suite 400, Alachua, FL 32615 ("Axogen") and Eric Sandberg ("Employee"). Axogen and Employee may each be referred to herein as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, Axogen is a global leader in developing, marketing, selling and distributing surgical and non-surgical solutions for peripheral nerve damage or discontinuity, as well as of instruments and devices in connection with the foregoing and in diagnosis, surgery for, therapy associated with and recovery in connection with nerve damage and/or nerve discontinuity, and has spent substantial time, resources and monies developing its Confidential Information (as defined below);

WHEREAS, Employee has accepted employment with or is currently an employee of Axogen who will or does, as the case may be, receive certain compensation and other employment-related benefits from Axogen in return for Employee performing Employee's job duties and responsibilities;

WHEREAS, during Employee's employment Employee will be (or has been) provided with periodically supplemented Confidential Information, including trade secrets, as well as the opportunity to contribute to the creation and/or maintenance of Confidential Information;

WHEREAS, Employee recognizes that Axogen's Confidential Information is an important and valuable asset to Axogen and that Axogen has a legitimate business interest in protecting these assets;

WHEREAS, Employee recognizes that Axogen's relationships with Axogen Customers and the goodwill associated with Axogen Customers, Axogen's business and Axogen's reputation in the industry, are important and valuable assets to Axogen and that Axogen has a legitimate business interest in protecting those assets; and

WHEREAS, in consideration for Employee's initial employment or continued employment, as the case may be, with Axogen, Employee agrees to abide by the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, including initial or continued employment, the receipt and sufficiency of which are hereby acknowledged, the Parties to this IP and NCNS Agreement hereby agree as follows:

1. DEFINITIONS.

The following terms, when used in this IP and NCNS Agreement with initial capital letters, shall have the respective meanings set forth in this Section 1.

"Axogen Customers" means accounts, customers, physicians, therapists, hospitals, acute surgical care centers, group purchasing organizations, integrated delivery networks, treatment centers or other clients that: (a) have purchased Axogen products during the prior one (1) year; or (b) have received or requested a proposal during the prior one (1) year for the purchase Axogen products; as well as all such entities or individuals that come to purchase Axogen products and/or request or receive a proposal for the purchase of Axogen products during the time of Employee's employment by Axogen.

"Competing Organization" means any person or organization which is engaged in or about to become engaged in research on, consulting regarding, or development, production, marketing or selling of a Competing Product including, but not limited to, the organizations identified on Schedule 1, effective as of the Effective Date and as may be amended from time to time, attached hereto.

"Competing Product" means any product, process, technology, service, machine or invention of any person or organization other than Axogen in existence or under development which is similar to, resembles, competes with, is substitutable for, or is intended to be similar to, resemble, compete with, or be substitutable for a product, process, technology, service, machine or invention of Axogen.

"Confidential Information" means Axogen's confidential, proprietary, trade secret or any other non-public information, including without limitation: (a) Axogen Customers; (b) actual or potential vendors, suppliers, distributors or referral sources; (c) products, product know-how, product manufacturing and distribution systems and processes, product technology, product development plans and strategies; (d) marketing and sales strategies and plans, product pricing policies, offerings and structures; (e) business and financial information of a non-public nature (e.g., strategy plans, forecasts, budgets); (f) employee, personnel or payroll policies, records and information; (g) corporate development strategies including acquisitions, divestitures, growth plans and other plans; (h) clinical study design, management, evaluation, and interpretation; (i) inventions, ideas, innovations, improvements, know-how, methods, processes, specifications, procedures, invention disclosures, certifications, and proposed and/or actual research and development activities, regardless of whether or not any of the foregoing is patentable or otherwise protectable under the intellectual property laws of the United States; and (j) information disclosed by third parties to Axogen pursuant to a confidentiality agreement. Confidential Information does not include information that is or becomes part of the public domain through no fault of Employee, or without any third-party violation of any confidentiality agreement with Axogen.

"Copyrightable Works" means all works of authorship, fixed in any tangible medium of expression known or later developed, including but not limited to writings, reports, articles, white papers, compilations, summaries, graphics, computer programs, user interfaces, drawings, designs, documentation and publications.

"Intellectual Property" means all inventions, patents, patent applications, designs, discoveries, ideas, innovations, improvements, modifications, know-how, trade secrets, methods, processes, specifications, procedures, trademarks, certifications, and invention disclosures, whether or not patentable or otherwise protectable under the intellectual property laws of the United States.

"Material Contact" means (i) any interaction between Employee and an Axogen Customer which takes place in an effort to establish, maintain, and/or further a business relationship on

behalf of Axogen, (ii) any Axogen Customer whose dealings with Axogen were coordinated or supervised by Employee, (iii) any Axogen Customer about whom Employee obtained Confidential Information in the ordinary course of business as result of Employee's association with Axogen, or (iv) any Axogen Customer who receives product or services from Axogen, the sale or provision of which results or resulted in compensation, commissions or earnings for Employee, all within the last year of Employee's employment with Axogen (or during Employee's employment if employed less than a year).

2. CONFIDENTIAL INFORMATION AND PROPERTY.

2.1. Non-Disclosure of Confidential Information. Employee acknowledges that the Confidential Information is of great value to Axogen, that Axogen has legitimate business interests in protecting its Confidential Information, and that the disclosure to anyone not authorized to receive such information, including any Competing Organization, will cause irreparable injury to Axogen. Employee agrees: (a) not to make use of the Confidential Information for any purpose other than is necessary to perform Employee's duties while an employee of Axogen; (b) not to disclose, use, disseminate, identify, or publish Confidential Information for five (5) years after the termination of Employee's employment with Axogen for any reason; (c) to provide to Axogen's Office of General Counsel immediate notice of any (i) inadvertent or otherwise improper disclosure of Confidential Information; and (ii) theft of Confidential Information, including breach of security, hacking, or other improper act by a third party. Notwithstanding the foregoing, Employee agrees not to, and shall not for any reason disclose, use, disseminate, identify or publish Confidential Information that is an Axogen trade secret, as long as that Confidential Information remains a trade secret and does not become publicly known through no fault of Employee.

2.2. Return of Confidential Information and Axogen Property. Upon termination of Employee's employment with Axogen for any reason, or at any time as Axogen requests, Employee shall immediately return to Axogen all Confidential Information and other tangible property that belongs to Axogen in Employee's possession; such tangible property includes but is not limited to: all keys and security and credit cards; all products, product samples, computers, cellular phones and other electronic devices; and all customer and account files, price lists, product information, training manuals, advertising and promotional materials, handbooks and policies (in physical or electronic format). Employee shall not retain possession of any physical or electronic copies of correspondence, memoranda, reports, notebooks, drawings, photographs notes, research and scientific data, and tangible communications concerning the same, or other documents in any form whatsoever (including information contained in computer memory or any portable storage device (e.g., a "thumb drive") relating to or reflecting in any way to the Confidential Information obtained by or entrusted to Employee during Employee's employment with Axogen.

2.3 Defend Trade Secrets Act. Pursuant to the Defend Trade Secrets Act of 2016, 18 U.S.C. §1833, Employee acknowledges that Employee shall not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Employee files a lawsuit for retaliation by Axogen for reporting a suspected violation of law, Employee shall not have criminal or civil liability under any federal or state trade secret law if Employee discloses the trade secret to Employee's attorney and (X)

files any document containing the trade secret under seal and (Y) does not disclose the trade secret, except pursuant to court order.

3. RESTRICTIVE COVENANTS.

3.1. Employee Acknowledgment.

(a) Employee acknowledges that: (a) Employee's position and employment with Axogen gives Employee access to and knowledge of Axogen Customers and its vendors, suppliers, distributors or referral sources (collectively, "Axogen Business Partners"), which represent important and unique business assets that have resulted from a significant investment of time, resources and monies by Axogen; (b) Employee would cause Axogen great loss, damage and immediate irreparable harm if Employee were to engage in unfair or unlawful competitive activity by improperly using or disclosing any information related to Axogen Business Partners for Employee's own benefit or for the benefit of any Competing Organization.

(b) Employee acknowledges and agrees that the restrictions contained in this Section 3, are reasonable and necessary to protect Axogen's legitimate business interests, promote and protect the purpose and subject matter of this IP and NCNS Agreement and Employee's employment, and deter any potential conflict of interest. Employee agrees that Employee knows of no reason why any restriction contained in this Section 3 is not reasonable and enforceable and that all such restrictions are necessary and reasonable to protect Axogen's interests. Employee also acknowledges and agrees that the restrictions contained in this Section 3 will not impair or infringe upon Employee's right to work or earn a living when Employee's employment with Axogen ends.

3.2 Non-Compete.

(a) During Employee's employment with Axogen and for a period of one (1) year following the termination of Employee's employment with Axogen for any reason, Employee will not work for (as an employee, consultant, contractor, agent or otherwise) or render services directly or indirectly to any Competing Organization whereby the services Employee would provide for, to, or on behalf of the Competing Organization (i) are the same as or similar to those services that Employee provided for, to, or on behalf of Axogen during Employee's employment, (ii) involve the development, sale, marketing, or distribution of a Competing Product, or (iii) could enhance the use or marketability of a Competing Product. This restriction covers (i) the United States, (ii) any state or territory in which Axogen is engaged in its business at the time of and during the year prior to Employee's separation from Axogen, and (iii) any state or territory in which Employee was providing services for Axogen at the time of and during the year prior to Employee's separation from the Company.

(b) The restrictions herein shall not prohibit Employee from accepting employment with a Competing Organization whose business is diversified and which is, as to that part of its business in which Employee accepts employment, not a Competing Organization. If Employee accepts employment with a Competing Organization, Employee will provide Axogen written assurances satisfactory to Axogen that Employee will not render services, directly or indirectly, for the time period herein in connection with any Competing Product.

3.3 Non-Solicitation of Employees and Axogen Business Partners.

(a) During Employee's employment with Axogen and for a period of two (2) years following the termination of Employee's employment with Axogen for any reason, Employee will not in any capacity, directly or indirectly, solicit, induce or influence, or attempt to solicit, induce or influence, any person engaged as an employee, independent contractor, or agent of Axogen to terminate his or her employment and/or business relationship with Axogen or do any act which may result in the impairment of the relationship between Axogen and its employees, independent contractors or agents.

(b) During the term of Employee's employment with Axogen and for a period of one (1) year following the termination of Employee's employment with Axogen for any reason, Employee will not in any capacity, directly or indirectly: (i) solicit, contact, accept solicited business from, provide competitive services to, or sell any Competing Product to an Axogen Customer; (ii) divert, entice or otherwise take away from Axogen the business or patronage of any Axogen Business Partner; or (iii) solicit or induce any Axogen Business Partner to terminate or reduce its relationship with Axogen or otherwise interfere with Axogen's relationship with any Axogen Business Partner. This restriction applies only to those Axogen Customers and Axogen Business Partners with whom Employee had Material Contact.

3.4 New Employer Notification. To enable Axogen to monitor Employee's compliance with the obligations set forth in this IP and NCNS Agreement, Employee agrees to notify Axogen in writing before commencing employment with a new employer; such notification shall include the identify of Employee's new employer, job title and responsibilities. Employee will continue to notify Axogen, in writing, any time Employee accepts or changes employment during the time periods set forth in this Section 3. Employee agrees that Axogen is permitted to contact any new or prospective employer regarding Employee's obligations owed to Axogen.

3.5 Modification of Non-Compete and Non-Solicitation Provisions. The parties agree that a court of competent jurisdiction may modify any invalid, overbroad or unenforceable term of this Section 3 so that such term, as modified, is valid and enforceable under applicable law; such court is also authorized to extend the time periods set forth in this Section 3 for any period of time in which Employee is in breach of this IP and NCNS Agreement or as necessary to protect the legitimate business interests of Axogen. If a court of competent jurisdiction determines that any term of this Section 3 is invalid, overbroad, or unenforceable, in whole or in part, and cannot be modified as set forth in the prior sentence to make such term valid and enforceable under applicable law, the Parties agree that any such term, in whole or in part as the case may, shall be severable and the remainder of this Section 3 and this IP and NCNS Agreement shall nevertheless be enforceable and binding on the Parties.

4. INVENTIONS.

4.1. Disclosure of Developments. Employee agrees that during and subsequent to Employee's employment with Axogen, Employee will promptly disclose and furnish complete information to Axogen relating to all inventions, ideas, improvements, modifications, discoveries, research, data, know-how, methods and developments, whether patentable or not, and whether or not otherwise protectable under the intellectual property laws of the United States, that are made, conceived, developed, reduced to practice, or authored by Employee or under Employee's direction during Employee's employment whether or not made, conceived, developed, reduced to practice or authored during normal business hours or on Axogen premises. Employee shall keep complete, accurate, and organized information and records of all Copyrightable Works or

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other Intellectual Property and Confidential Information in the manner and form reasonably requested by Axogen.

4.2 Ownership of Intellectual Property.

(a) Employee agrees to assign and hereby does assign to Axogen all right, title and interest, worldwide in and to any and all Intellectual Property made, conceived, developed, reduced to practice or authored by Employee alone or with others for AXOGEN during the course of Employee's employment (or after the period of Employee's employment and which rely upon or use Axogen's Confidential Information and/or non-public Intellectual Property), whether made, conceived, developed or reduced to practice, whether or not the foregoing are within the scope of Axogen's actual or anticipated research and development business.

(b) Axogen's rights in Section 4.2(a) above shall not apply to any Intellectual Property conceived and developed without reliance upon and/or without the use of Axogen's equipment, supplies, facilities, Confidential Information or other non-public Intellectual Property, and which was developed entirely on Employee's own time, unless (a) the Intellectual Property relates (i) to Axogen's actual or anticipated business; (ii) to Axogen's actual or anticipated research and development; or (iii) the Intellectual Property results from or relates to any work performed by Employee for Axogen.

(c) For avoidance of doubt, it shall be Axogen's sole decision, in its sole discretion how to protect its Confidential Information and/or Intellectual Property and/or Copyrightable Works and whether to formally seek registration of any of its Intellectual Property and/or Copyrightable Works.

4.3 Copyrightable Works. Employee acknowledges that all Copyrightable Works shall to the fullest extent permissible be considered "works for hire" in the United States as defined in the U.S. Copyright Laws and in any other country adhering to the "works made for hire" or similar notion. All such Copyrightable Works shall from the time of creation be owned solely and exclusively by Axogen throughout the world. If any Copyrightable Work or portion thereof shall not be legally qualified as a work made for hire in the United States or elsewhere or shall subsequently be held to not be a work made for hire, Employee agrees to assign and does hereby assign to Axogen all Employee's right, title and interest in, including all moral rights in and to the Copyrightable Works, and all registered and applied for copyrights therein. To the extent the assignment of all rights, title and interest in, including of all moral rights in, the Copyrightable Works, is prohibited in full or in part by any applicable law, Employee hereby grants to Axogen a fully-paid-up, royalty-free, exclusive, sublicensable, transferrable, irrevocable and perpetual, worldwide license in and to the Copyrightable Works and hereby waives Employee's enforcement of any moral rights which Employee may hold in any existing or future Copyrightable Works worldwide and hereby consents to any action of Axogen that would violate its moral rights in the absence of such consent. Employee hereby further agrees that Axogen is not required to designate Employee as author of any Copyrightable Works when such Copyrightable Works are distributed publicly or otherwise, and hereby waives any cause of action against Axogen for not so identifying Employee as an author of such Copyrightable Works.

4.4 License. In the event that any of the rights in any Copyrightable Works or other Intellectual Property ("Intellectual Property Rights") cannot be transferred to Axogen pursuant to the terms of this IP and NCNS Agreement, Employee hereby (i) unconditionally and irrevocably waives the enforcement of any Intellectual Property Rights retained by Employee, and all claims and causes of action of any kind against Axogen with respect to those rights; and (ii) grants to

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Axogen an irrevocable, perpetual, fully paid-up, transferable, sublicensable, royalty-free, exclusive worldwide right and license to use, reproduce, distribute, display, perform, prepare derivative works of, modify, enforce, and otherwise use and exploit all or any portion of such existing and future Intellectual Property Rights.

4.5 Causes of Action. Employee further irrevocably assigns to Axogen all causes of action, including accrued, existing and future causes of action, arising out of or related to the Intellectual Property Rights.

4.6 Cooperation. When requested to do so by Axogen, either during or subsequent to Employee's employment with Axogen, Employee shall: (a) execute all documents requested by Axogen for the vesting in Axogen of the entire right, title and interest in and to the Intellectual Property and Confidential Information, and all patent, copyright, trademarks or other applications filed and issuing on the Intellectual Property; (b) execute all documents requested by Axogen for filing and obtaining of patents, trademarks or copyrights; and (c) provide assistance that Axogen reasonably requires to protect its right, title and interest in the Intellectual Property and Confidential Information. Employee acknowledges that the obligations herein shall continue beyond the termination of Employee's employment with Axogen with respect to Intellectual Property conceived, authored or made by Employee during Employee's period of employment and shall be binding on Employee's executors, administrators or other legal representatives.

4.7 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 file for registration of and/or register Copyrightable Works or other Intellectual Property as required by this IP and NCNS 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.

4.8 Assignability. All Intellectual Property Rights and representations made or granted by Employee in this IP and NCNS Agreement are assignable by Axogen and are for the benefit of Axogen's successors, assigns, and parties contracting with Axogen.

4.9 Prior Intellectual Property. Attached as Schedule 2 is a complete list, if any, of all of Employee's Intellectual Property and Copyrightable Works made, conceived or first reduced to practice by Employee, alone or jointly with others, prior to Employee's employment with Axogen ("Prior Intellectual Property"). If in the course of Employee's employment with Axogen Employee incorporates into an Axogen product, process or machine any Prior Intellectual Property to which Employee possesses all right, title and interest, then Employee hereby grants, and agrees to grant, Axogen a non-exclusive, royalty-free, irrevocable, perpetual, transferable, sublicensable worldwide license to make, modify, use and sell such Prior Intellectual Property as part of or in connection with such product, process or machine. Notwithstanding the foregoing, Employee agrees not to, and shall not, use at or on behalf of Axogen any Prior Intellectual Property that is owned by a third party and/or the use of which would require a license from a third party, and/or to which Axogen has not otherwise acquired the right to use, and/or which would be in violation of Section 5.3 of this IP and NCNS Agreement.

5. EMPLOYEE REPRESENTATIONS.

5.1. Performance. During Employee's employment with Axogen, Employee shall devote Employee's best efforts, attention and energies to the performance of Employee's duties as an employee of Axogen.

5.2. Code of Conduct; Conflicts of Interest. Employee agrees to adhere to Axogen's Code of Business Conduct and Ethics, including but not limited to the provisions regarding Conflicts of Interest, as defined therein. Employee will not engage in any activity or have any outside interest that could interfere with the satisfactory performance of Employee's duties or be detrimental to Axogen or be engaged in any other occupation or activity that conflicts with Employee's obligations to Axogen. Employee agrees to promptly notify Axogen of any potential conflict of interest.

5.3. Agreements with Prior Employers. Employee has not signed any non-competition, non-solicitation, or other agreement that Employee has not disclosed to Axogen that prohibits Employee from being employed by Axogen, fully performing Employee's duties or fully providing services to or on behalf of Axogen during Employee's employment or assigning works and ideas to Axogen ("Prior Non-Compete Agreement"). Employee has not and will not disclose to Axogen or use for Axogen's benefit any information that to Employee's knowledge is proprietary or confidential to any of Employee's prior employers without proper consent from the prior employer. If Employee has signed a Prior Non-Compete Agreement with a prior employer, Employee has provided a copy of such agreement to Axogen's Human Resources Department under separate cover.

5.4. At-Will Employment. Employee acknowledges that this IP and NCNS Agreement does not obligate Employee to remain employed by Axogen nor does it confer upon Employee the right to continued employment by Axogen. Employee and Axogen each have the right to terminate the employment relationship at any time, for any reason or no reason, with or without notice and with or without cause.

5.5. Theft of Trade Secrets. Employee acknowledges that Employee is aware that a theft of trade secrets of an employer by an employee is an offense under federal law and the state laws of Florida and is prohibited by this IP and NCNS Agreement. Employee further acknowledges that such theft of trade secrets 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 vigorously prosecute its rights under federal law and the state laws of Florida for any violation arising out of a breach by Employee of any of the material terms of this IP and NCNS Agreement.

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

6. MISCELLANEOUS.

6.1. Inside Information. Employee hereby acknowledges that Employee is aware (and that Employee's representatives who are apprised of this matter have been advised) that the United States securities laws prohibit Employee and any person or entity that has received material non-public information about Axogen from Employee ("Inside Information") from

purchasing or selling securities of Axogen or from communicating such information to any person under circumstances under which such other person may purchase or sell securities of Axogen.

6.2 Essence of the Agreement. The restrictive covenants set forth in Sections 2-4 are the essence of this IP and NCNS Agreement and they shall be construed as agreements independent of (i) any other agreements, or (ii) any other provision in this IP and NCNS Agreement. The existence of any claim or cause of action of Employee against Axogen, whether predicated on this IP and NCNS Agreement or otherwise, regardless of who was at fault and regardless of any claims that either Employee or Axogen may have against the other, will not constitute a defense to the enforcement by Axogen against Employee of the restrictive covenants set forth in Sections 2-4. Axogen shall not be barred from enforcing the restrictive covenants set forth in Sections 2-4 by reason of any breach of (i) any other part of this IP and NCNS Agreement, or (ii) any other agreement with Employee.

6.3. Entire Agreement; Prior Agreements. This IP and NCNS Agreement including its Schedules sets forth the entire agreement between the Parties as it relates to the subject matter of this IP and NCNS Agreement; this IP and NCNS Agreement supersedes and replaces prior agreements between Employee and Axogen with respect to the subject matter addressed in the IP and NCNS Agreement. The provisions of this IP and NCNS Agreement shall not be amended, supplemented, waived or changed orally; any such alteration shall only be valid through a written amendment to this IP and NCNS Agreement signed by both Parties.

6.4 Severability. This IP and NCNS Agreement shall be enforceable to the fullest extent allowed by law. In the event that a court holds any provision of this IP and NCNS Agreement to be invalid or unenforceable, the Parties agree that, if allowed by law, that provision shall be deemed severable from the remainder of this IP and NCNS Agreement, and the remaining provisions contained in this IP and NCNS Agreement shall be construed to preserve to the maximum permissible extent the intent and purposes of this IP and NCNS Agreement.

6.5. Assignment. This IP and NCNS Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. This IP and NCNS Agreement may not be assigned by Employee.

6.6. Injunctive Relief. Employee acknowledges that because of the difficulty of measuring economic losses to Axogen as a result of a breach or threatened breach of any of the covenants in this IP and NCNS Agreement, and because of the immediate and irreparable damage that would be caused to the Company and for which monetary damages would not be a sufficient remedy and which harm would not be fully or adequately compensated by recovery of damages alone, the Parties agree that, in addition to all other remedies or damages that may be available to Axogen hereunder and at law or in equity, in the event of a breach or a threatened breach by Employee of any covenants in this IP and NCNS Agreement, Axogen shall be entitled to specific performance and injunctions restraining such breach.

6.7. Disputes and Litigation. In the event of any dispute or litigation between or among the Parties with respect to this IP and NCNS Agreement, the prevailing party shall be entitled to its costs and expenses, including reasonable attorneys' fees and costs.

6.8. Governing Law; Jurisdiction and Venue and Waiver of Jury Trial. The Parties acknowledge that a substantial portion of negotiations, anticipated performance and execution of this IP and NCNS Agreement and the attached Schedules occurred, or shall occur, in Hillsborough County, Florida, and the Parties irrevocably and unconditionally (a) agree that any

suit, action or legal proceeding arising out of, or relating to, this IP and NCNS Agreement or the attached Schedules shall be brought in the courts of record of the State of Florida in Hillsborough County, or the United States District Court, Middle District of Florida, Tampa 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 IP and NCNS Agreement, or in such other manner as may be provided under applicable laws or court rules in said state. **The Parties further agree to waive any right to a trial by jury should any action be brought to enforce this Agreement.**

6.9. Counterparts; Transmission. This IP and NCNS Agreement may be executed in one or more counterparts, each of which shall be considered one and the same document. This IP and NCNS Agreement may be executed by facsimile or electronic transmission.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this IP and NCNS Agreement to be executed as of the Effective Date.

AXOGEN CORPORATION

By

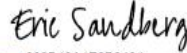


Name: Karen Zaderej

Title: Chairman, CEO and President

EMPLOYEE

DocuSigned by:



609B19A1E6B9434

Name: Eric Sandberg

Certificate Of Completion

Envelope Id: 9FF7FF93AEA5487BB45EBF41D87B436C

Status: Completed

Subject: Axogen Separation Agreement

Source Envelope:

Document Pages: 21

Signatures: 3

Envelope Originator:

Certificate Pages: 5

Initials: 0

Kellie Brady

AutoNav: Enabled

13631 Progress Blvd Suite 400

Envelopeld Stamping: Enabled

Alachua, FL 32615

Time Zone: (UTC-05:00) Eastern Time (US & Canada)

kbrady@axogeninc.com

IP Address: 73.27.89.234

Record Tracking

Status: Original

Holder: Kellie Brady

Location: DocuSign

7/27/2022 3:34:17 PM

kbrady@axogeninc.com

Signer Events

Signature

Timestamp

Eric Sandberg

ericsandberg423@gmail.com

Security Level: Email, Account Authentication
(None)

DocuSigned by:

Eric Sandberg
6215FE5908D046E...

Sent: 7/27/2022 3:51:23 PM

Viewed: 7/27/2022 3:52:30 PM

Signed: 7/28/2022 10:47:08 AM

Signature Adoption: Pre-selected Style

Using IP Address: 69.245.218.162

Electronic Record and Signature Disclosure:

Accepted: 7/27/2022 3:52:30 PM

ID: fb73e247-4dd4-4d18-8fc8-5cfd194a63fd

Maria Martinez

mmartinez@axogeninc.com

Chief Human Resources Officer

Axogen, Inc.

Security Level: Email, Account Authentication
(None)

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Maria Martinez
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Signed: 7/28/2022 3:51:20 PM

Signature Adoption: Pre-selected Style

Using IP Address: 4.7.60.178

Signed using mobile

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

Timestamp

Agent Delivery Events

Status

Timestamp

Intermediary Delivery Events

Status

Timestamp

Certified Delivery Events

Status

Timestamp

Carbon Copy Events

Status

Timestamp

Althea Griffiths

agriffiths@axogeninc.com

Receptionist

Axogen Corporation

Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:

COPIED

Sent: 7/28/2022 3:51:22 PM

Viewed: 7/28/2022 4:07:14 PM

Carbon Copy Events	Status	Timestamp
Patti Havens phavens@axogeninc.com Director, Org Effectiveness and Talent Development Axogen, Inc. Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	<div>COPIED</div>	Sent: 7/28/2022 3:51:23 PM
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	7/27/2022 3:51:23 PM
Certified Delivered	Security Checked	7/28/2022 3:50:55 PM
Signing Complete	Security Checked	7/28/2022 3:51:20 PM
Completed	Security Checked	7/28/2022 3:51:23 PM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, Axogen, Inc (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact Axogen, Inc:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: kbrady@axogeninc.com

To advise Axogen, Inc of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at kbrady@axogeninc.com and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

To request paper copies from Axogen, Inc

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to kbrady@axogeninc.com and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with Axogen, Inc

To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an email to kbrady@axogeninc.com and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: <https://support.docusign.com/guides/signer-guide-signing-system-requirements>.

Acknowledging your access and consent to receive and sign documents electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

By selecting the check-box next to 'I agree to use electronic records and signatures', you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify Axogen, Inc as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by Axogen, Inc during the course of your relationship with Axogen, Inc.

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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ Karen Zaderej

Karen Zaderej
Chief Executive Officer and President

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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/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 and President 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: November 8, 2022

|

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

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