
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 12, 2014**

AXOGEN, INC.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation)

001-36046
(Commission File Number)

41-1301878
(IRS Employer Identification No.)

**13859 Progress Boulevard, Suite 100,
Alachua, Florida**

(Address of Principal Executive Offices)

32615
(Zip Code)

Registrant's telephone number, including area code

(386) 462-6800

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

Term Loan Agreement

Term Loan

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

Under the Term Loan Agreement, the Company has the option at any time to prepay the Term Loan, in whole or in part, and the Royalty

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

Sale of Common Stock to Three Peaks

On the Initial Closing Date, pursuant to certain equity purchase provisions in the Term Loan Agreement, the Company also sold 1,375,969 shares of registered common stock to Three Peaks for a total of \$3.55 million in cash ("Three Peaks Equity Sale") at a public offering price of \$2.58 per share. In the event that the Company sells any of its equity securities to a third party within twelve months after the Signing Date (a "Subsequent Sale") at a lower price per share than the per share price paid by Three Peaks, or where the terms of such Subsequent Sale are otherwise more favorable, then in such case the Company has agreed to match the more favorable terms of such Subsequent Sale with respect to the shares purchased by Three Peaks. A Subsequent Sale does not include the issuance of securities or options to Company employees, officers, directors or consultants pursuant to a Company approved employee option pool or any other employee stock purchase or option plan existing as of the Initial Closing Date.

Use of Proceeds

The Company used the net proceeds of Three Peaks Equity Sale, the \$25 million proceeds from the Initial Term Loan and \$1.75 million cash from our own account to pay off its obligations under the Revenue Interests Purchase Agreement (the "PDL Royalty Contract") by and between the Company and PDL BioPharma, Inc. ("PDL") dated October 5, 2012. The Company has no further obligations to PDL under the Royalty Contract.

Revenue Royalty Agreement

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

Security Agreement

In connection with the Term Loan Agreement, on the Signing Date, the Company and its wholly owned subsidiary, AxoGen Corporation ("AC"), entered into a Security Agreement (the "Security Agreement") with Three Peaks, pursuant to which each of the Company and AC grants to Three Peaks a security interest in certain collateral as specified in the Security Agreement to guarantee the payment in full when due of the Secured Obligations.

Sale of Common Stock to PDL

Subsequent to the closing of the Term Loan, also on the Initial Closing Date, the Company sold 643,382 shares of registered common stock for a total of \$1.75 million to PDL ("PDL Equity Sale") at a public offering price of \$2.72 per share pursuant to a Securities Purchase Agreement (the "PDL Securities Purchase Agreement") by and between the Company and PDL dated the Signing Date. The Company intends to use the proceeds from the PDL Equity Sale for general working capital purposes.

Item 1.02. Termination of a Material Definitive Agreement.

On October 5, 2012, the Company and PDL entered into the PDL Royalty Contract. Pursuant to the PDL Royalty Contract, the Company sold to PDL the right to receive specified royalties on the Company's Net Revenues (as defined in the PDL Royalty Contract) generated by the sale, distribution or other use of the Company's products Avance® Nerve Graft, AxoGuard® Nerve Protector and AxoGuard® Nerve Connector (the "Acquired Revenues"). The PDL Royalty Contract had a term of eight years. Under the PDL Royalty Contract, PDL was to receive royalty payments paid weekly based on a royalty rate of 9.95% of the Company's Net Revenues (the "Assigned Interests"), subject to certain agreed upon minimum payment requirements which would have begun in the fourth quarter of 2014 as provided in the PDL Royalty Contract. The total consideration PDL paid to the Company was \$20,800,000 (the "Funded Amount"), including \$19,050,000 PDL paid to the Company on October 5, 2012, and \$1,750,000 PDL paid to the Company on August 14, 2012 pursuant to an Interim Royalty Contract. Upon the closing of PDL's purchase of the specified royalties described above, which was concurrent with the execution of the PDL Royalty Contract, the Interim Royalty Contract was terminated. There were no financial covenants or other restrictions on the use of capital by the Company as a result of the PDL Royalty Contract, however, PDL had a first perfected security interest in the Assigned Interests.

On the Initial Closing Date, upon the Initial Closing, pursuant to an agreement between the Company and PDL, the Company used the proceeds from the Initial Term Loan, Three Peaks Equity Sale and Company funds to pay PDL and thereby terminate the PDL Royalty

Contract and all further obligations to PDL under this contract.

Item 2.02 Results of Operations and Financial Condition.

On November 13, 2014, the Company issued a press release announcing its financial results for the quarter ended September 30, 2014. A copy of the press release is furnished as Exhibit 99.1 to this Current Report.

The information furnished pursuant to Item 2.02 of this Current Report, including Exhibit 99.1 hereto, shall not be considered “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of such section, nor shall it be incorporated by reference into future filings by the Company under the Securities Act of 1933, as amended, or under the Exchange Act, unless the Company expressly sets forth in such future filing that such information is to be considered “filed” or incorporated by reference therein.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

(a) The information set forth under the subheadings “Term Loan Agreement — Term Loan,” “Revenue Royalty Agreement” and “Security Agreement” in Item 1.01. “Entry into a Material Definitive Agreement” above is incorporated by reference herein.

Item 7.01. Regulation FD Disclosure.

On November 13, 2014, the Company issued a press release announcing that it has entered into the Term Loan and other relations with Three Peaks. A copy of the press release is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

The information furnished pursuant to this Item 7.01 and the accompanying Exhibit 99.2 shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and is not to be incorporated by reference into any filing of the Company.

Item 8.01. Other Events.

(a) The information set forth under the subheadings “Term Loan Agreement — Sale of Common Stock to Three Peaks” and “Sale of Common Stock to PDL” in Item 1.01. “Entry into a Material Definitive Agreement” above is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
5.1	Opinion of Kaplan, Strangis and Kaplan, P.A regarding the sale of common stock to Three Peaks., dated November 12, 2014.
5.2	Opinion of Opinion of Kaplan, Strangis and Kaplan, P.A regarding the sale of common stock to PDL, dated November 12, 2014.
99.1	AxoGen, Inc. Earnings press release, dated November 13, 2014.
99.2	AxoGen, Inc. Term Loan press release, dated November 13, 2014.

SIGNATURE

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 hereunto duly authorized.

AXOGEN, INC.

Date: November 13, 2014

By: /s/ Gregory G. Freitag

Gregory G. Freitag
General Counsel

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[LETTERHEAD OF KAPLAN, STRANGIS AND KAPLAN, P.A.]

November 12, 2014

AxoGen, Inc.
13859 Progress Boulevard, Suite 100
Alachua, Florida 32615

Re: AxoGen, Inc.
Registration Statement on Form S-3

Ladies and Gentlemen:

This opinion is furnished in connection with the Registration Statement on Form S-3 No. 333-195588 (the "Registration Statement") filed by AxoGen, Inc., a Minnesota corporation (the "Company"), with the Securities and Exchange Commission (the "Commission") and declared effective by the Commission on May 9, 2014 and the final prospectus supplement thereto dated November 12, 2014 (the "Final Prospectus Supplement"), including the accompanying base prospectus dated May 9, 2014 (the "Base Prospectus" and, together with the Final Prospectus Supplement, the "Prospectus"), relating to the issuance of 1,375,969 shares (the "Shares") of common shares, par value \$.01 per share, of the Company.

We have acted as special counsel to the Company and, as such, have examined originals, or copies certified or otherwise identified to our satisfaction, of the Registration Statement, the Prospectus and the exhibits thereto and such documents, corporate records and other instruments as we have deemed necessary or appropriate for the purpose of this opinion, including, without limitation (a) the Company's Amended and Restated Articles of Incorporation (the "Articles"), (b) the Company's Amended and Restated Bylaws (the "Bylaws"), and (c) certain resolutions adopted by the Board of Directors of the Company with respect to the authorization and proposed issuance of the Shares as contemplated by the Registration Statement and the Prospectus.

In our examination of the foregoing documents, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies and the authenticity of the originals of such copies. As to any matters of fact, we have relied to the extent we deemed appropriate and without independent investigation upon statements and representations of officers and other representatives of the Company and others.

Based on the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that:

1. The Company has been duly incorporated and is validly existing and in good standing under the laws of the State of Minnesota.
2. The Company has the corporate authority to issue the Shares covered by the Registration Statement and the Prospectus.
3. Upon issuance and delivery of the Shares against payment for such shares (in an amount at least equal to the aggregate par value of such Shares) as described in the Prospectus, the Shares will be duly and validly issued, fully paid and non-assessable.

We are members of the bar in the State of Minnesota and the foregoing is limited to the laws of the state of Minnesota.

This opinion is being furnished to you in accordance with the requirements of Item 601(b)(5) of Regulation S-K promulgated under the Securities Act. We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement and to the use of our name therein and in the Prospectus under the caption "Legal Matters." In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act.

Sincerely,

KAPLAN, STRANGIS AND KAPLAN, P.A.

By: /s/ Bruce J. Parker
Bruce J. Parker

[LETTERHEAD OF KAPLAN, STRANGIS AND KAPLAN, P.A.]

November 12, 2014

AxoGen, Inc.
 13859 Progress Boulevard, Suite 100
 Alachua, Florida 32615

Re: AxoGen, Inc.
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We have acted as special counsel to the Company and, as such, have examined originals, or copies certified or otherwise identified to our satisfaction, of the Registration Statement, the Prospectus and the exhibits thereto and such documents, corporate records and other instruments as we have deemed necessary or appropriate for the purpose of this opinion, including, without limitation (a) the Company's Amended and Restated Articles of Incorporation (the "Articles"), (b) the Company's Amended and Restated Bylaws (the "Bylaws"), and (c) certain resolutions adopted by the Board of Directors of the Company with respect to the authorization and proposed issuance of the Shares as contemplated by the Registration Statement and the Prospectus.

In our examination of the foregoing documents, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies and the authenticity of the originals of such copies. As to any matters of fact, we have relied to

the extent we deemed appropriate and without independent investigation upon statements and representations of officers and other representatives of the Company and others.

Based on the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that:

1. The Company has been duly incorporated and is validly existing and in good standing under the laws of the State of Minnesota.
2. The Company has the corporate authority to issue the Shares covered by the Registration Statement and the Prospectus.
3. Upon issuance and delivery of the Shares against payment for such shares (in an amount at least equal to the aggregate par value of such Shares) as described in the Prospectus, the Shares will be duly and validly issued, fully paid and non-assessable.

We are members of the bar in the State of Minnesota and the foregoing is limited to the laws of the state of Minnesota.

This opinion is being furnished to you in accordance with the requirements of Item 601(b)(5) of Regulation S-K promulgated under the Securities Act. We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement and to the use of our name therein and in the Prospectus under the caption "Legal Matters." In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act.

Sincerely,

KAPLAN, STRANGIS AND KAPLAN, P.A.

By: /s/ Bruce J. Parker
 Bruce J. Parker



AxoGen, Inc. Reports 58% Third Quarter Revenue Growth

Quarterly Record Revenue of \$4.67 Million.

New Financing Agreement Substantially Lowers Future Yearly Debt Payments

ALACHUA, FL — November 13, 2014 — AxoGen, Inc. (NASDAQ: AXGN), a leading medical technology company focused on the peripheral nerve repair market, grew revenue during the third quarter to \$4.67 million, up 58% as compared to the year ago third quarter revenue of \$2.96 million. The growth was driven by the successful execution of management's growth strategies, which are focused on increasing sales to existing customers and the addition of targeted new customers.

"Our third quarter results, and the continued momentum into the fourth quarter, demonstrate growing surgeon adoption of our entire portfolio of peripheral nerve repair solutions," said Karen Zaderej, President and Chief Executive Officer. "Throughout 2014, we have executed on our growth strategies and continue to deliver record performance. Our efforts to raise the awareness of our portfolio of nerve repair products - Avance® Nerve Graft, AxoGuard® Nerve Connector and AxoGuard® Nerve Protector - in combination with the professional education events we have organized, are having a positive impact as surgeons are re-thinking how they approach nerve repair. We are generating growth across the entire product portfolio with the majority of this growth coming from existing accounts."

2014 Third Quarter Financial Results

In addition to the record third quarter revenue of \$4.67 million, gross margin expanded to 80.8% compared to 78.0% for the third quarter of 2013. The gross margin improvement is due to changes in product sales mix, manufacturing efficiencies and implementation of product price increases.

Total operating expenses in the third quarter were \$5.6 million compared to \$4.6 million for the third quarter of 2013. The increased expenses were planned and are primarily attributable to increased sales and marketing efforts, surgeon educational programs and training events, and clinical activities. Operating loss was \$1.8 million compared to an operating loss of \$2.3 million for the third quarter of 2013. Net loss was \$3.3 million, or \$0.19 per share, compared to a net loss of \$3.6 million, or \$0.25 per share, for the third quarter of 2013. The weighted average common shares for the third quarter of 2014 was approximately 17.5 million shares compared to 14.3 million shares for the third quarter of 2013. The increase in common shares was a result of the common stock offering in August 2013. As of September 30, 2014, cash, cash equivalents and marketable securities totaled \$11.8 million.

2014 Nine Month Financial Results

For the nine months ended September 30, 2014, AxoGen generated revenue of \$12 million, as compared with \$8 million for the comparable period of 2013 for a 51% increase in revenues. Gross margin for the nine months was 79% of revenue versus 77% of revenue for the first nine months of 2013. Total operating

expenses were \$16.6 million compared to \$12.9 million for the first nine months of 2013 and the operating loss was \$7.1 million versus \$6.8 million for the year ago period. Net loss was \$11.2 million, or \$0.64 per share, compared to a net loss of \$10.4 million, or \$0.86 per share for the same period of 2013.

"Our performance for the first nine months has met the expectations we established for AxoGen at the beginning of the year. We remain focused on executing our plan and are now more confident than ever we will exceed our revenue target of \$16 million while maintaining gross margins of at least 75%. At the same time, the new financing provided by Oberland Capital, through its subsidiary Three Peaks Capital, significantly lowers our future yearly debt payments as we move into 2015 and provides us with increased flexibility to fund our growth and improve shareholder value," concluded Ms. Zaderej.

Conference Call

The Company will host a conference call and webcast for the investment community on Thursday, November 13, 2014 at 4:30 PM ET. Investors within the United States interested in participating are invited to call 1-877-407-0993. All other participants can use the dial-in number 1-201-689-8795. To access the webcast, please visit <http://ir.axogeninc.com/>. Following the conference call, a replay will be available on the Company's website at www.AxoGenInc.com, under 'Investors.'

About AxoGen, Inc.

AxoGen (NASDAQ: AXGN) is a leading medical technology company dedicated to peripheral nerve repair. AxoGen's portfolio of regenerative medicine products is available in the United States, Canada and several European countries and includes Avance® Nerve Graft, the only off-the-shelf commercially available processed nerve allograft for bridging severed nerves without the comorbidities associated with a second surgical site, AxoGuard® Nerve Connector, a porcine submucosa extracellular matrix ("ECM") coaptation aid for tensionless repair

of severed nerves, and AxoGuard® Nerve Protector, a porcine submucosa ECM product used to wrap and protect injured peripheral nerves and reinforce the nerve reconstruction while preventing soft tissue attachments.

Avance® Nerve Graft is processed in the United States by AxoGen. AxoGuard® Nerve Connector and AxoGuard® Nerve Protector are manufactured in the United States by Cook Biotech Incorporated, and are distributed exclusively by AxoGen. AxoGen maintains its corporate offices in Alachua, Florida and is the parent of its wholly owned operating subsidiary, AxoGen Corporation.

Cautionary Statement Concerning Forward-Looking Statements

This Press Release contains “forward-looking” statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations or predictions of future conditions, events or results based on various assumptions and management’s estimates of trends and economic factors in the markets in which we are active, as well as our business plans. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “projects”, “forecasts”, “continue”, “may”, “should”, “will” variations of such words and similar expressions are intended to identify such forward-looking statements. The forward-looking statements may include, without limitation, statements regarding our growth, our product development and product potential. The forward-looking statements are subject to risks and uncertainties, which may cause results to differ materially from those set forth in the statements. Forward-looking statements in this release should be evaluated together with the many uncertainties that affect AxoGen’s business and its market, particularly those discussed in the risk factors and cautionary statements in AxoGen’s filings with the Securities and Exchange Commission. 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 law, AxoGen assumes no responsibility to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contact:

AxoGen, Inc.

Lee Robert “Bob” Johnston, Chief Financial Officer
386.462.6856
InvestorRelations@AxoGenInc.com

EVC Group

Bob Jones/Michael Polyviou — Investor Relations
646.201.5447/212.850.6020
bjones@evcgroup.com; mpolyviou@evcgroup.com

AxoGen, Inc. Condensed Consolidated Balance Sheets

	September 30, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,802,608	\$ 20,069,750
Accounts receivable	2,743,041	1,893,699
Inventory	3,346,115	3,398,438
Prepaid expenses and other	100,923	296,719
Total current assets	17,992,687	25,658,606
Property and equipment, net	613,174	381,689
Intangible assets	576,382	570,396
Deferred financing costs	914,931	1,073,579
	\$ 20,097,174	\$ 27,684,270
Liabilities and Shareholders’ Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,020,091	\$ 2,083,942
Current deferred revenue	14,118	14,118
Total current liabilities	2,034,209	2,098,060
Note Payable - Revenue Interest Purchase Agreement	28,173,877	25,363,695

Long Term Deferred Revenue	75,168	85,882
Total liabilities	<u>30,283,254</u>	<u>27,547,637</u>
Commitments and contingencies	—	—
Shareholders' equity (deficit):	174,664	173,395
Common stock, \$.01 par value; 50,000,000 shares authorized; 17,466,381 and 17,339,561 shares issued and outstanding		
Additional paid-in capital	73,264,241	72,369,016
Accumulated deficit	(83,624,985)	(72,405,778)
Total shareholders' equity (deficit)	<u>(10,186,080)</u>	<u>136,633</u>
	<u>\$ 20,097,174</u>	<u>\$ 27,684,270</u>

AxoGen, Inc.
Consolidated Statements of Operations
(unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2014</u>	<u>September 30, 2013</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Revenues	\$ 4,671,340	\$ 2,957,462	\$ 12,023,789	\$ 7,962,683
Cost of goods sold	896,178	650,212	2,485,299	1,843,748
Gross profit	3,775,162	2,307,250	9,538,490	6,118,935
Costs and expenses:				
Sales and marketing	3,250,977	2,757,241	9,326,596	7,177,170
Research and development	681,230	593,643	2,049,603	1,498,904
General and administrative	1,645,859	1,233,360	5,254,082	4,237,738
Total costs and expenses	5,578,066	4,584,244	16,630,281	12,913,812
Loss from operations	(1,802,904)	(2,276,994)	(7,091,791)	(6,794,877)
Other income (expense):				
Interest expense	(1,380,470)	(1,214,603)	(3,963,885)	(3,505,869)
Interest expense—deferred financing costs	(55,217)	(61,216)	(158,648)	(146,648)
Other income (expense)	417	32	(4,886)	(696)
Total other income (expense)	(1,435,270)	(1,275,787)	(4,127,419)	(3,653,213)
Net loss	<u>\$ (3,238,174)</u>	<u>\$ (3,552,781)</u>	<u>\$ (11,219,210)</u>	<u>\$ (10,448,090)</u>
Weighted Average Common Shares outstanding — basic and diluted	17,466,097	14,320,113	17,437,373	12,205,863
Loss Per Common share - basic and diluted	<u>\$ (0.19)</u>	<u>\$ (0.25)</u>	<u>\$ (0.64)</u>	<u>\$ (0.86)</u>

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

	<u>Nine Months Ended</u>	
	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Cash flows from operating activities:		
Net loss	\$ (11,219,210)	\$ (10,448,090)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation	111,390	60,869
Amortization of intangible assets	33,468	44,176
Amortization of deferred financing costs	158,648	146,648
Stock-based compensation	701,697	534,673
Stock grants	60,125	—
Interest added to note	2,810,182	2,752,273
Change in assets and liabilities:		
Accounts receivable	(849,342)	(690,127)
Inventory	52,323	(308,955)
Prepaid expenses and other	195,796	9,821
Accounts payable and accrued expenses	(63,848)	(162,631)
Deferred Revenue	(10,714)	—
Net cash used for operating activities	<u>(8,019,485)</u>	<u>(8,061,343)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(342,875)	(66,564)

Acquisition of intangible assets	(39,454)	(50,262)
Net cash used for investing activities	(382,329)	(116,826)
Cash flows from financing activities:		
Proceeds from issuance of common stock	—	16,784,203
Proceeds from exercise of stock options	134,672	73,015
Net cash provided by financing activities	134,672	16,857,218
Net increase (decrease) in cash and cash equivalents	(8,267,142)	8,679,049
Cash and cash equivalents, beginning of year	20,069,750	13,907,401
Cash and cash equivalents, end of period	11,802,608	22,586,450
Supplemental disclosures of cash flow activity:		
Cash paid for interest	\$ 1,154,738	\$ 749,857



AxoGen, Inc. Signs Agreement with Oberland Capital

*Company will use funds to retire existing PDL royalty agreement.
Reduced annual debt payments will provide cash flow to support sales & marketing growth strategies.*

ALACHUA, FL — November 13, 2014 — AxoGen, Inc. (NASDAQ: AXGN), a leading medical technology company focused on the peripheral nerve repair market, has entered into a \$28.55 million financing agreement with Three Peaks Capital S.a.r.l., an indirect wholly-owned subsidiary of Oberland Capital Healthcare Master Fund LP (collectively “Oberland”). The financing from Oberland, along with \$1.75 million in capital from the Company, enables AxoGen to retire the Company’s royalty agreement with PDL BioPharma, Inc. and substantially reduces AxoGen’s future annual debt payments.

“Our agreement with Oberland is a transformational event for AxoGen,” said Bob Johnston, Chief Financial Officer. “The agreement allows us to retire our previous royalty contract and reduce our annual debt payments by several million dollars, freeing cash flow to support sales and marketing growth strategies. In addition, as part of this arrangement, Oberland has taken an equity position in our Company further validating their confidence in AxoGen’s growth potential.”

Under the terms of the agreement, AxoGen received a six year Term Loan of \$25 million with interest only payments due quarterly and a final principal payment due at the end of the six year term. The interest rate at closing is 10% which is calculated at 9% plus the greater of LIBOR or 1%. From April 1, 2016 to June 29, 2016, the Company has the option to draw an additional \$7 million at the same terms subject to the Company meeting certain conditions.

In addition, AxoGen has entered into a 10 year Revenue Interest Agreement with Oberland with a royalty rate of 3.75% of the Company’s revenues up to a maximum of \$30 million in revenue during any 12 month period. The Company has the option to prepay, at any time, in whole or in part, the Term Loan and the Revenue Interest Agreement.

In connection with the transaction, the Company also sold 1,375,969 shares of AxoGen common stock to Oberland for \$3.55 million. Under a separate agreement, the Company also issued 643,382 shares of AxoGen common stock to PDL BioPharma for approximately \$1.75 million. At closing, AxoGen has 19,487,530 common shares outstanding.

Conference Call

The Company will host a conference call and webcast for the investment community on Thursday, November 13, 2014 at 4:30 PM ET. Investors within the United States interested in participating are invited to call 1-877-407-0993. All other participants can use the dial-in number 1-201-689-8795. To access the webcast, please visit <http://ir.axogeninc.com/>. Following the conference call, a replay will be available on the Company’s website at www.AxoGenInc.com, under ‘Investors.’

About AxoGen, Inc.

AxoGen (NASDAQ: AXGN) is a leading medical technology company dedicated to peripheral nerve repair. AxoGen’s portfolio of regenerative medicine products is available in the United States, Canada and several European countries and includes Avance® Nerve Graft, the only off-the-shelf commercially available processed nerve allograft for bridging severed nerves without the comorbidities associated with a second surgical site, AxoGuard® Nerve Connector, a porcine submucosa extracellular matrix (“ECM”) coaptation aid for tensionless repair of severed nerves, and AxoGuard® Nerve Protector, a porcine submucosa ECM product used to wrap and protect injured peripheral nerves and reinforce the nerve reconstruction while preventing soft tissue attachments.

Avance® Nerve Graft is processed in the United States by AxoGen. AxoGuard® Nerve Connector and AxoGuard® Nerve Protector are manufactured in the United States by Cook Biotech Incorporated, and are distributed exclusively by AxoGen. AxoGen maintains its corporate offices in Alachua, Florida and is the parent of its wholly owned operating subsidiary, AxoGen Corporation.

Cautionary Statement Concerning Forward-Looking Statements

This Press Release contains “forward-looking” statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations or predictions of future conditions, events or results based on various assumptions and management’s estimates of trends and economic factors in the markets in which we are active, as well as our business plans. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “projects”, “forecasts”, “continue”, “may”, “should”, “will” variations of such words and similar expressions are intended to identify such forward-looking statements. The forward-looking statements may include, without limitation, statements regarding our growth, our product development and product potential. The forward-looking statements are subject to risks and uncertainties, which may cause results to differ materially from those set forth in the statements. Forward-looking statements in this release should be evaluated together with the many uncertainties that affect AxoGen’s business and its market, particularly those discussed in the risk factors and cautionary statements in AxoGen’s filings with the Securities and Exchange Commission. 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 law, AxoGen assumes no responsibility to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contact:

AxoGen, Inc.

Lee Robert "Bob" Johnston, Chief Financial Officer
386.462.6856
InvestorRelations@AxoGenInc.com

EVC Group

Bob Jones/Michael Polyviou — Investor Relations
646.201.5447/212.850.6020
bjones@evcgroup.com; mpolyviou@evcgroup.com
