
**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, 2019**

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	41-1301878
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
13631 Progress Blvd., Suite 400, Alachua, FL	32615
(Address of Principal Executive Offices)	(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:

Title of each class	Trading Symbol	Name of each exchange on which registered
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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(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 5, 2019, the registrant had 39,468,518 shares of common stock outstanding.

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Forward-Looking Statements

From time to time, in reports filed with the U.S. Securities and Exchange Commission (the “SEC”) (including this Form 10-Q), in press releases, and in other communications to shareholders or the investment community, Axogen, Inc. (including Axogen, Inc.’s wholly owned subsidiaries, Axogen Corporation, Axogen Processing Corporation and Axogen Europe GmbH, the “Company”, “Axogen”, “we” or “our”) may provide forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, concerning possible or anticipated future results of operations or business developments. These statements are based on management’s current expectations or predictions of future conditions, events or results based on various assumptions and management’s estimates of trends and economic factors in the markets in which we are active, as well as our business plans. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "projects", "forecasts", "continue", "may", "should", "will", "goals", 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 assessment of our internal controls over financial reporting, our growth, our 2019 guidance, product development, product potential, financial performance, sales growth, product adoption, market awareness of our products, data validation, and our visibility at and sponsorship of conferences and educational events. 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 Form 10-Q should be evaluated together with the many uncertainties that affect the Company’s business and its market, particularly those discussed in the risk factors and cautionary statements set forth in the Company’s filings with the SEC, including as described in “Risk Factors” included in Item 1A of our Annual Filing on Form 10-K. 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, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,555	\$ 24,294
Restricted cash	6,000	6,000
Investments	75,511	92,311
Accounts receivable, net of allowance for doubtful accounts of \$967 and \$1,117, respectively	15,451	15,321
Inventory	13,682	11,982
Prepaid expenses and other	2,144	1,045
Total current assets	<u>137,343</u>	<u>150,953</u>
Property and equipment, net	11,673	8,039
Operating lease right-of-use assets	3,595	—
Finance lease right-of-use assets	93	—
Intangible assets	1,488	1,181
Total assets	<u>\$ 154,192</u>	<u>\$ 160,173</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	14,970	12,998
Current maturities of long term obligations	1,773	28
Contract liabilities, current	14	18
Total current liabilities	<u>16,757</u>	<u>13,044</u>
Long Term Obligations, net of current maturities	2,002	35
Other long-term liabilities	—	70
Contract liabilities	22	42
Total liabilities	<u>18,781</u>	<u>13,191</u>
Commitments and contingencies - see Note 12		
Shareholders' equity:		
Common stock, \$0.01 par value per share; 100,000,000 shares authorized; 39,461,318 and 38,900,875 shares issued and outstanding	395	389
Additional paid-in capital	307,839	297,319
Accumulated deficit	(172,823)	(150,726)
Total shareholders' equity	<u>135,411</u>	<u>146,982</u>
Total liabilities and shareholders' equity	<u>\$ 154,192</u>	<u>\$ 160,173</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenues	\$ 28,564	\$ 22,660	\$ 78,550	\$ 60,504
Cost of goods sold	4,510	3,464	12,468	9,282
Gross profit	24,054	19,196	66,082	51,222
Costs and expenses:				
Sales and marketing	18,245	14,653	53,146	41,149
Research and development	4,181	3,307	12,602	7,967
General and administrative	7,740	6,071	24,321	16,751
Total costs and expenses	30,166	24,031	90,069	65,867
Loss from operations	(6,112)	(4,835)	(23,987)	(14,645)
Other income (expense):				
Investment income	555	727	1,925	884
Interest expense	(7)	6	(32)	(1,124)
Interest expense — deferred financing costs	—	—	—	(81)
Loss on extinguishment of debt	—	—	—	(2,186)
Other expense	(7)	—	(3)	(16)
Total other income (expense), net	541	733	1,890	(2,523)
Net Loss	\$ (5,571)	\$ (4,102)	\$ (22,097)	\$ (17,168)
Weighted average common shares outstanding — basic and diluted	39,340,492	38,504,810	39,151,218	36,582,261
Loss per common share — basic and diluted	\$ (0.14)	\$ (0.11)	\$ (0.56)	\$ (0.47)

See notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	September 30, 2019	September 30, 2018
Cash flows from operating activities:		
Net loss	\$ (22,097)	\$ (17,168)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	631	575
Amortization of right-of-use assets	1,352	—
Amortization of intangible assets	89	59
Amortization of deferred financing costs	—	81
Loss on extinguishment of debt	—	2,186
Provision for bad debt	(150)	298
Provision for inventory writedown	(44)	877
Changes in investment gains and losses	(957)	(375)
Share-based compensation	7,384	5,981
Change in operating assets and liabilities:		
Short term investments	—	—
Accounts receivable	20	(3,223)
Inventory	(1,657)	(4,510)
Prepaid expenses and other	(1,099)	(624)
Accounts payable and accrued expenses	1,288	3,005
Operating lease obligations	(1,276)	—
Cash paid for interest portion of finance leases	(3)	—
Contract and other liabilities	(23)	(48)
Net cash used in operating activities	(16,542)	(12,886)
Cash flows from investing activities:		
Purchase of property and equipment	(3,676)	(6,052)
Purchase of investments	(104,314)	(103,865)
Proceeds from sale of investments	122,071	3,500
Cash payments for intangible assets	(396)	(320)
Net cash provided by / (used for) investing activities	13,685	(106,737)
Cash flows from financing activities:		
Proceeds from issuance of common stock	—	132,963
Cash paid for equity offering	—	(257)
Borrowing on revolving loan	—	26,253
Payments on revolving loan and prepayment penalties	—	(30,489)
Repayments of long-term debt and prepayment penalties	—	(22,503)
Cash paid for debt portion of finance leases	(24)	—
Proceeds from exercise of stock options	3,142	2,778
Net cash provided by financing activities	3,118	108,745
Net increase in cash, cash equivalents, and restricted cash	261	(10,878)
Cash, cash equivalents, and restricted cash, beginning of period	30,294	36,507
Cash, cash equivalents and restricted cash, end of period	\$ 30,555	\$ 25,629
Supplemental disclosures of cash flow activity:		
Cash paid for interest	\$ 31	\$ 1,322
Supplemental disclosure of non-cash investing and financing activities:		
Acquisition of fixed assets in accounts payable and accrued expenses	\$ 684	\$ —
Right-of-use asset and operating lease liability	\$ 26	\$ —

See notes to condensed consolidated financial statements.

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

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
Three Months Ended September 30, 2019				
Balance at June 30, 2019	\$ 393	\$ 304,820	\$ (167,252)	\$ 137,960
Net Loss	—	—	(5,571)	(5,571)
Stock-based compensation	—	2,397	—	2,397
Exercise of stock options	2	623	—	625
Balance at September 30, 2019	<u>\$ 395</u>	<u>\$ 307,839</u>	<u>\$ (172,823)</u>	<u>\$ 135,411</u>
Nine Months Ended September 30, 2019				
Balance at December 31, 2018	\$ 389	\$ 297,319	\$ (150,726)	\$ 146,982
Net Loss	-	-	(22,097)	(22,097)
Stock-based compensation	-	7,384	-	7,384
Exercise of stock options and employee stock purchase plan	6	3,136	-	3,142
Balance at September 30, 2019	<u>\$ 395</u>	<u>\$ 307,839</u>	<u>\$ (172,823)</u>	<u>\$ 135,411</u>
Three Months Ended September 30, 2018				
Balance at June 30, 2018	\$ 383	\$ 291,515	\$ (141,395)	\$ 150,503
Net Loss	—	—	(4,102)	(4,102)
Issuance of common stock	—	—	—	—
Stock-based compensation	—	2,211	—	2,211
Exercise of stock options	4	863	—	867
Balance at September 30, 2018	<u>\$ 387</u>	<u>\$ 294,589</u>	<u>\$ (145,497)</u>	<u>\$ 149,479</u>
Nine Months Ended September 30, 2018				
Balance at December 31, 2017	\$ 343	\$ 153,168	\$ (128,329)	\$ 25,182
Net Loss	-	-	(17,168)	(17,168)
Issuance of common stock	35	132,671	-	132,706
Stock-based compensation	-	5,981	-	5,981
Exercise of stock options and employee stock purchase plan	9	2,769	-	2,778
Balance at September 30, 2018	<u>\$ 387</u>	<u>\$ 294,589</u>	<u>\$ (145,497)</u>	<u>\$ 149,479</u>

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

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.

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company as of September 30, 2019 and December 31, 2018 and for the three and nine-month periods ended September 30, 2019 and 2018. 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, 2018, which are included in the Company’s Annual Report on Form 10-K as of and for the year ended December 31, 2018. 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.

2. Summary of Significant Accounting Policies

Leases

We adopted ASU No. 2016-02—Leases (Topic 842), as of January 1, 2019, (the “Application Date”) using the modified retrospective approach. We will continue to report financial information for fiscal years prior to 2019 under the previous lease accounting standards. The modified retrospective approach provides a method for recording on the balance sheet as of January 1, 2019, leases that have commenced on or before the Application Date.

We elected the package of practical expedients permitted under the transition guidance, which allowed us to not reassess whether any existing contracts contain a lease, to not reassess historical lease classification as operating or finance leases, and to not reassess initial direct costs. We also elected the practical expedient allowing us to not separate the lease and non-lease components for all classes of underlying assets, apart from equipment. We did not elect the practical expedient to use hindsight to determine the lease term for leases at January 1, 2019.

We made an accounting policy election to not recognize right-to-use assets and lease liabilities that arise from short term leases, which are defined as leases with a lease term of 12 months or less at the lease commencement date.

Adoption of the new standard resulted in the recording of right-to-use assets and lease liabilities of approximately \$,786 and \$3,823, respectively, and the derecognition of capital lease assets, capital lease liabilities, and operating lease deferred rent of \$96, \$63, and \$70, respectively, as of January 1, 2019 with zero cumulative-effect adjustment to retained earnings. The new standard did not materially impact our consolidated net earnings.

Share Based Payment Arrangements

On January 1, 2019, we adopted ASU No. 2018-07, which supersedes ASC 505-50 and expands the scope of ASC 718 to include all share-based payment arrangements related to the acquisition of goods and services from both nonemployees and employees. As result, most of the guidance in ASC 718 associated with employee share-based payments, including most of its requirements related to classification and measurement, applies to nonemployee share-based payment arrangements. This standard did not have a material impact on our consolidated financial statements.

Revenue Recognition

On January 1, 2018, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 606, Revenue from Contracts with Customers, utilizing the modified retrospective method applied to contracts that were not completed.

The Company enters into contracts to sell and distribute products and services to hospitals and surgical facilities for use in caring for patients with peripheral nerve damage or transection. Revenue is recognized when the Company has met its performance obligations pursuant to its contracts with its customers in an amount that the Company expects to be entitled to in exchange for the transfer of control of the products and services to the Company’s customers. In the case of products or services sold to a customer under a distribution or purchase agreement, the Company has no further performance obligations and revenue is recognized at the point control transfers which occurs either when: i) the product is shipped via common carrier; or ii) the product is delivered to the customer or distributor, in accordance with the terms of the agreement.

A portion of the Company's product revenue is generated from consigned inventory maintained at hospitals and independent sales agencies, and also from inventory physically held by field sales representatives. For these types of product sales, the Company retains control until the product has been used or implanted, at which time revenue is recognized.

The Company elected to account for shipping and handling activities as a fulfillment cost rather than a separate performance obligation. Amounts billed to customers for shipping and handling are included as part of the transaction price and recognized as revenue when control of the underlying products is transferred to the customer. The related shipping and freight charges incurred by the Company are included in the cost of sales.

The Company operates in a single reportable segment of peripheral nerve repair, offers similar products to its customers, and enters into consistently structured arrangements with similar types of customers. As such, the Company does not disaggregate revenue from contracts with customers as the nature, amount, timing and uncertainty of revenue and cash flows does not materially differ within and among the contracts with customers.

The contract with the customer states the final terms of the sale, including the description, quantity, and price of each implant distributed. The payment terms and conditions in the Company’s contracts vary; however, as a common business practice, payment terms are typically due in full within 30 to 60 days of delivery. Since the customer agrees to a stated price in the contract that does not vary over the contract term, the contracts do not contain any material types of variable consideration, and contractual rights of return are not material. The Company has several contracts with distributors in international markets which include consideration paid to the customer in exchange for distinct marketing and other services. The Company records such consideration paid to the customer as a reduction to revenue from the contracts with those distributor customers.

In connection with the Acroval® Neurosensory and Motor Testing System, the Company sold extended warranty and service packages to some of its customers who purchased this evaluation and measurement tool, and the prepayment of these extended warranties represent contract liabilities until the performance obligations are satisfied ratably over the term of the contract. The sale of the aforementioned extended warranty represents the only performance obligation the Company satisfies over time and creates the contract liability disclosed below.

The opening and closing balances of the Company's contract receivables and liabilities are as follows:

Contract Balances			
	Net Receivables	Contract Liabilities, Current	Contract Liabilities, Long- Term
Opening, January 1, 2018	\$ 11,065	31	68
Closing, September 30, 2018	13,990	23	49
Increase (decrease)	2,925	(8)	(19)
Opening, January 1, 2019	\$ 15,321	18	42
Closing, September 30, 2019	15,451	14	22
Increase (decrease)	130	(4)	(20)

Loss Per Share of Common Stock

Basic and diluted net loss per share is computed in accordance with FASB ASC No. 260, Earnings Per Share, by dividing the net loss by the weighted average number of common shares outstanding during the period. Since the Company has experienced net losses for all periods presented, options and awards of 1,629,475 and 2,931,360 shares which were outstanding as of September 30, 2019 and 2018, respectively, were not included in the computation of diluted EPS because they are anti-dilutive.

3. Recently Issued Standards to be Adopted

Fair Value Measurements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurements (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 changes the fair value measurement disclosure requirements of ASC 820, "Fair Value Measurement" by adding, eliminating, and modifying certain disclosure requirements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019 and requires application of the prospective method of transition. The Company is currently assessing the impact the guidance will have on its consolidated financial statements.

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We will adopt ASU 2016-13 as of January 1, 2020. We are currently evaluating the impact the standard may have on our consolidated financial statements and related disclosures.

In May 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging and Topic 825, Financial Instruments. ASU 2019-04 clarifies certain

aspects of accounting for credit losses, hedging activities, and financial instruments. This update is effective fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact the guidance will have on its consolidated financial statements.

In May 2019, the FASB issued ASU No. 2019-05, Targeted Transition Relief. ASU 2019-05 provides transition relief for entities adopting ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The amendment allows entities to irrevocably elect, upon adoption of ASU 2016-13, the fair value option on financial instruments that (1) were previously recorded at amortized costs and (2) are within the scope of ASC 326-20, Financial Instruments – Credit Losses: Measured at Amortized Costs, if the instruments are eligible for the fair value option under ASC 825-10, Financial Instruments: Overall. This update is effective fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact the guidance will have on its consolidated financial statements.

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

4. Inventories

Inventories are comprised of unprocessed tissue, work-in-process, Avanc® Nerve Graft, Axoguard® Nerve Connector, Axoguard Nerve Protector, Avive® Soft Tissue Membrane, Acroval Neurosensory and Motor Testing System, Axotouch® Two-Point Discriminator and supplies and are valued at the lower of cost (first-in, first-out) or net realizable value and consist of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Finished goods	\$ 10,338	\$ 9,194
Work in process	796	454
Raw materials	<u>2,548</u>	<u>2,334</u>
Inventories	<u>\$ 13,682</u>	<u>\$ 11,982</u>

The Company monitors the shelf life of its products and historical expiration and spoilage trends and writes-down inventory based on the estimated amount of inventory that may not be distributed before expiration or spoilage. For the three months ended September 30, 2019 and 2018, the Company had inventory write-downs of \$51 and \$295, respectively. For the nine months ended September 30, 2019 and 2018, the Company adjusted the provision for inventory write downs by (\$44) and \$877 respectively.

5. Fair Value of Investments

The Company has elected the Fair Value Option for all investments in debt securities. 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.

The Company classifies cash equivalents and investments according to the hierarchy of techniques used to determine fair value based on the types of inputs.

The following table represents the Company's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of September 30, 2019:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
September 30, 2019				
Assets:				
Money market funds	\$ 16,602	\$ —	\$ —	\$ 16,602
U.S. government securities	9,985	—	—	9,985
Corporate bonds	—	17,791	—	17,791
Commercial paper	—	31,437	—	31,437
Asset-backed securities	—	16,299	—	16,299
Total assets	<u>\$ 26,587</u>	<u>\$ 65,527</u>	<u>\$ —</u>	<u>\$ 92,114</u>

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
December 31, 2018				
Assets:				
Money market funds	\$ 12,947	\$ —	\$ —	\$ 12,947
U.S. government securities	15,923	—	—	15,923
Corporate bonds	—	31,495	—	31,495
Commercial paper	—	27,869	—	27,869
Asset-backed securities	—	17,025	—	17,025
Total assets	<u>\$ 28,870</u>	<u>\$ 76,389</u>	<u>\$ —</u>	<u>\$ 105,259</u>

There were no changes in the levels or methodology of the measurement of financial assets or liabilities during the nine months ended September 30, 2019. The maturity date of the Company's investments is less than one year.

6. Prepaid and Other Assets

Prepaid and other assets consist of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Prepaid Insurance	\$ 465	\$ 85
Prepaid events	389	132
Prepaid software license	160	5
Prepaid professional fees	126	35
Litigation receivable	98	—
Other Prepaid items	906	788
Prepaid and Other Assets	<u>\$ 2,144</u>	<u>\$ 1,045</u>

In connection with our litigations (See Litigation under Note 12 Commitment and Contingencies), we have now paid legal fees in excess of our deductible under our directors' and officers' insurance policy by \$98. As such, we have recorded a receivable from our insurance carrier in our prepaid and other assets account of our balance sheet.

7. Property and Equipment

Property and equipment consist of the following:

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Furniture and equipment	\$ 2,026	\$ 1,763
Leasehold improvements	1,331	1,151
Processing equipment	2,718	2,349
Land	731	731
Projects in process	8,358	4,906
Property and equipment, at cost	<u>15,164</u>	<u>10,900</u>
Less: accumulated depreciation and amortization	(3,491)	(2,861)
Property and equipment, net	<u>\$ 11,673</u>	<u>\$ 8,039</u>

Depreciation expense for the three months ended September 30, 2019 and 2018 was \$192 and \$200, respectively. Depreciation expense for the nine months ended September 30, 2019 and 2018 was \$631 and \$575, respectively.

8. Intangible Assets

The Company's intangible assets consist of the following:

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
License agreements	\$ 1,067	\$ 1,034
Less: accumulated amortization	(624)	(553)
License agreements, net	<u>\$ 443</u>	<u>\$ 481</u>
Patents	1,118	755
Less: accumulated amortization	(73)	(55)
Patents, net	<u>\$ 1,045</u>	<u>\$ 700</u>
Intangible assets, net	<u>\$ 1,488</u>	<u>\$ 1,181</u>

License agreements are being amortized over periods ranging from 17-20 years. Patent costs are being amortized over periods up to 20 years. Amortization expense was approximately \$33 and \$19 for the three months ended September 30, 2019 and 2018, respectively and \$89 and \$59 for the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019, future amortization of license agreements and patents is \$34 for remainder of 2019, \$132 for 2020 through 2023, and \$531 thereafter.

License Agreements

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

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

- Axogen pays royalty fees ranging from 1% to 3% under the License Agreements based on net sales of licensed products. One of the agreements also contains a minimum royalty of \$12.5 per quarter, which may include a credit in future quarters in the same calendar year for the amount the minimum royalty exceeds the royalty fees. Also, when Axogen pays royalties to more than one licensor for sales of the same product, a royalty stack cap applies, capping total royalties at 3.75%;
- If Axogen sublicenses technologies covered by the License Agreements to third parties, Axogen would pay a percentage of sublicense fees received from the third party to the licensor. Currently, Axogen does not sublicense any technologies covered by License Agreements. The Company is not considered a sub-licensee under the License Agreements and does not owe any sub-licensee fees for its own use of the technologies;
- Axogen reimburses the licensors for certain legal expenses incurred for patent prosecution and defense of the technologies covered by the License Agreements; and
- Currently, under the University of Texas at Austin’s agreement, Axogen would owe a milestone fee of \$15 upon receiving a Phase II Small Business Innovation Research or Phase II Small Business Technology Transfer grant involving the licensed technology. The Company has not received either grant and does not owe such a milestone fee. A milestone fee to the University of Florida Research Foundation of \$125 is due if Axogen receives FDA approval of its Avance Nerve Graft, a milestone fee of \$25 is due upon the first commercial use of certain licensed technology to provide services to manufacture products for third parties and a milestone fee of \$10 is due upon the first use to manufacture products that utilize certain technology that is not currently incorporated into Axogen products.

Royalty fees were approximately \$577 and \$444 during the three months ended September 30, 2019 and 2018, respectively, and approximately \$1,573 and \$1,198 during the nine months ended September 30, 2019 and 2018, respectively, and are included in sales and marketing expense on the accompanying condensed consolidated statements of operations.

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Accounts payable	\$ 3,787	\$ 4,517
Accrued expenses	3,247	2,004
Accrued compensation	7,936	6,477
Accounts Payable and Accrued Expenses	<u>\$ 14,970</u>	<u>\$ 12,998</u>

10. Long Term Obligations

Long Term Obligations consist of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Term Loan Agreement	\$ —	\$ —
Revolving Loan Agreement	—	—
Capital Lease Obligations	—	63
Operating & Finance Lease Obligations	3,775	—
Total	3,775	63
Less current maturities of long-term obligations	<u>(1,773)</u>	<u>(28)</u>
Long-term portion	<u>\$ 2,002</u>	<u>\$ 35</u>

On October 25, 2016, the Company entered into Term Loan and a Revolving Loan with MidCap Financial Trust (“MidCap”) maturing on May 1, 2021. Interest on the Term Loan was payable monthly at 8.0% per annum plus the greater of LIBOR or 0.5%. Interest on the Revolving Loan was payable monthly at 4.5% per annum plus the greater of LIBOR or 0.5% on outstanding advances.

The Company had the option at any time to prepay the Term Loan in whole or in part, subject to payment of a prepayment fee and an exit fee. On May 22, 2018, the Company exercised its option and paid \$22,500 to prepay the Term Loan in full, which included exit and pre-payment fees totaling \$1,500.

The Company also had the option to terminate or permanently reduce the Revolving Loan prior to the maturity date subject to its payment of a deferred origination fee. On May 22, 2018, the Company exercised its option to terminate and paid \$3,000 to prepay the Revolving Loan in full, which amount included pre-payment fees of \$236.

11. Stock Incentive Plan

At the 2017 Annual Meeting of Shareholders, the shareholders approved the adoption of the Axogen 2017 Employee Stock Purchase Plan (the “2017 ESPP”), which allows for eligible employees to acquire shares of the Company’s common stock through payroll deductions at a discount from market value. The 2017 ESPP authorized a total of 600,000 shares of the Company’s common stock to be provided under the 2017 ESPP. As of September 30, 2019, 486,563 shares of common stock were available for issuance under the 2017 ESPP.

At the 2019 Annual Meeting of Shareholders held on August 14, 2019, the shareholders approved the Axogen 2019 Long-Term Incentive Plan (the “New Axogen Plan”), which allows for issuance of incentive stock options, non-qualified stock options, performance stock units (“PSUs”) and restricted stock units (“RSUs”) to employees, directors and consultants at exercise prices not less than the fair market value at the date of grant. The number of shares of common stock authorized for issuance under the New Axogen Plan is (A) 3,385,482 shares, comprised of (i) 3,000,000 new authorized shares and (ii) 385,482 unallocated shares of common stock available for issuance as of August 14, 2019 pursuant to the Company’s 2010 Stock Incentive Plan, as amended and restated (the “Prior Axogen Plan”), that were not then subject to outstanding awards; plus (B) shares under the Prior Axogen Plan and the New Axogen Plan that are cancelled, forfeited, expired, unearned or settled in cash, in any such case that does not result in the issuance of common stock. Following shareholder approval of the New Axogen Plan, no future awards will be made under the Prior Axogen Plan. As of September 30, 2019, 3,308,699 shares of common stock were available for issuance under the New Axogen Plan.

The options granted to employees prior to July 1, 2017 typically vest 25% one year after the grant date and 12.5% every six months thereafter for the remaining three-year period until fully vested after four years. The options granted to employees after July 1, 2017 typically vest 50% two years after the grant date and 12.5% every six months thereafter for the remaining two-year period until fully vested after four years. The options granted to directors and certain options granted from time to time to certain executive officers have vested ratably over three years, 25% per quarter over one year or had no vesting period. Options typically have terms ranging from seven to ten years.

The Company recognized stock-based compensation expense, which consisted of compensation expense related to employee stock options, PSUs, RSUs and the 2017 ESPP based on the value of share-based payment awards that are ultimately expected to vest during the period, of approximately \$2,395 and \$2,211 for the three months ended September 30, 2019 and 2018, respectively and approximately \$7,384 and \$5,981 for the nine months ended September 30, 2019 and 2018, respectively.

The Company estimates the fair value of each option award issued under such plans on the date of grant using a Multiple Point Black-Scholes option-pricing model which uses a weighted average of historical volatility and peer company volatility. 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 Company used the following weighted-average assumptions for options granted during the periods indicated:

Nine months ended September 30,	2019	2018
Expected term (in years)	5.76	6.22
Expected volatility	56.03 %	49.73 %
Risk free rate	1.54 %	2.69 %
Expected dividends	— %	— %

The Company granted stock-based awards for 285,091 shares of its common stock pursuant to the New Axogen Plan during the nine months ended September 30, 2019. The weighted average fair value of the awards granted at market during the nine months ended September 30, 2019 and 2018 was \$15.78 and \$26.19 per award, respectively.

At September 30, 2019, the total future stock compensation expense related to non-vested awards is expected to be approximately \$20,960.

12. 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 balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's remaining open tax years subject to examination by the Internal Revenue Service include the years ended December 31, 2015 through 2018.

13. Commitments and Contingencies

Leases

We lease office space, medical lab and research space, a distribution center, a tissue processing center and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

Certain of our leases include options for the Company to extend the lease term. None of the options were reasonably certain of exercise and therefore are not included in the measure of our lease obligations and right-to-use assets.

Certain of our lease agreements include provisions for the Company to reimburse the lessor for common area maintenance, real estate taxes, and insurance, which the Company accounts for as variable lease costs. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of total lease expense for the three and nine months ended September 30, 2019 were as follows:

	<u>Amount</u>
For the Three months Ended September 30, 2019:	
Finance lease costs	
Amortization of right-to-use assets	\$ 6
Interest on lease liabilities	1
Operating lease costs	483
Short term lease costs	12
Variable lease costs	1
Total lease cost	<u>\$ 501</u>

For the Nine Months Ended September 30, 2019:	
Finance lease costs	
Amortization of right-to-use assets	\$ 16
Interest on lease liabilities	3
Operating lease costs	1,447
Short term lease costs	28
Variable lease costs	16
Total lease cost	<u>\$ 1,510</u>

The short-term lease cost shown above reasonably reflects the Company's ongoing short-term lease commitment.

Supplemental balance sheet information related to leases as of September 30, 2019 was as follows:

	<u>Amount</u>
Operating Leases	
Operating lease right-of-use assets	\$ 3,595
Current maturities of long-term obligations	\$ 1,750
Long term obligations	\$ 1,974
Finance Leases	
Finance lease right-of-use assets	\$ 93
Current maturities of long-term obligations	\$ 23
Long term obligations	\$ 28

Other information related to leases was as follows:

	<u>Amount</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,314
Right-to-use assets obtained in exchange for new finance lease liabilities	\$ 16
Weighted-average remaining lease term - finance leases	3.18 Yrs
Weighted-average remaining lease term - operating leases	2.09 Yrs
Weighted-average discount rate - finance leases	7.28%
Weighted-average discount rate - operating leases	6.28%

The weighted-average discount rate for the majority of the Company's leases is based on the Company's estimated incremental borrowing rate since the rates implicit in the leases were not determinable. The Company's incremental borrowing rate is based on Management's estimate of the rate of interest the Company would have to pay to borrow on a fully collateralized basis over a similar term an amount equal to the lease payments.

Future minimum lease payments under non-cancellable leases as of September 30, 2019 were as follows:

Year Ending December 31,	Operating Leases	Finance Leases
2019 (excluding nine months ended September 30, 2019)	\$ 494	\$ 5
2020	2,664	19
2021	4,007	19
2022	2,573	10
2023	2,581	3
2024	2,644	—
Thereafter	27,251	—
Total Future Minimum Lease Payments	\$ 42,213	\$ 57
Less future payments for leases that have not yet commenced	(38,245)	—
Less imputed interest on commenced leases	(244)	(6)
Total Lease Liability	<u>\$ 3,724</u>	<u>\$ 51</u>

The lease for office space in Tampa, Florida with Heights Union, LLC, a Florida limited liability company, has not commenced and is therefore not included in the measurement of right-to-use assets and lease liabilities.

As previously disclosed in our 2018 Annual Report on Form 10-K, which followed the lease accounting guidance prior to our adoption of ASC 842, future commitments relating to noncancelable operating and capital leases as of December 31, 2018 were as follows:

Year Ending December 31,	Operating	Capital
2019	1,866	28
2020	2,540	13
2021	3,970	15
2022	2,518	7
2023	2,574	—
Thereafter	30,111	—
Total	<u>\$ 43,579</u>	<u>\$ 63</u>

Rent expense for the three and nine months ended September 30, 2018 was \$141 and \$358, respectively.

Service Agreements

On August 6, 2015, the Company entered into a License and Services Agreement (the “CTS Agreement”) with Community Blood Center (d/b/a Community Tissue Services) (“CTS”), Dayton, Ohio, an FDA registered tissue establishment. Processing of the Avance Nerve Graft pursuant to the CTS Agreement began in February 2016. The CTS Agreement initially had a five-year term ending August 31, 2020. On February 22, 2019, the agreement was amended to extend the term through December 31, 2021. The amendment also gives the Company the right to terminate the agreement on or after March 1, 2021 with six-months advance notice. Under 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 services in support of its manufacturing process such as for routine sterilization of daily supplies, providing disposable supplies, microbial services and office support. During the three months ended September 30, 2019 and 2018, the Company paid fees to CTS of approximately \$566 and \$553, respectively, and during the nine months ended September 30, 2019 and 2018, approximately \$1,624 and \$1,426, respectively, and are included in cost of goods sold on the accompanying condensed consolidated statements of operations.

In August 2008, the Company entered into an agreement with Cook Biotech to distribute the Axoguard products worldwide in the field of peripheral nerve repair, and the parties subsequently amended the agreement on February 26, 2018. Pursuant to the February 2018 amendment, the agreement expires on June 30, 2027. The Cook Biotech agreement requires certain minimum purchases, although, through mutual agreement, the parties have not established such minimums; and, to date, have not enforced such provision, and establishes a formula for the transfer cost of the Axoguard products. Under the agreement, Axogen provides purchase orders to Cook Biotech, and Cook Biotech fulfills the purchase orders.

In December 2011, the Company also entered into a Master Services Agreement for Clinical Research and Related Services. The Company was required to pay \$151 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 a biologics license application ("BLA") for Avance Nerve Graft. In September 2019, the Company entered into an amendment to this agreement. The amendment extends the end of the study timeline from December 2019 to December 2021. It also increases the total number of subjects enrolled and the number of sites used in the studies. Payments made under this agreement were \$196 and \$212 for the three months ended September 30, 2019 and 2018, respectively. Payments made under this agreement were \$337 and \$372 for the nine months ended September 30, 2019 and 2018, respectively.

Certain executive officers of the Company are parties to employment contracts. Such contracts have severance payments for certain conditions including change of control.

Concentrations

Vendor

Substantially all of Axogen's revenue is currently derived from four products, Avance Nerve Graft, Axoguard Nerve Protector, Axoguard Nerve Connector and Avive Soft Tissue Membrane. Axogen has an exclusive distribution agreement with Cook Biotech for the purchase of Axoguard which expires June 30, 2027. The agreement with Cook Biotech requires certain minimum purchases by Axogen, although, through mutual agreement, the parties have not established such minimums and to date have not enforced such provision and establishes a formula for the transfer cost of the Axoguard products.

The agreement allows for termination provisions for both parties. Although there are products that Axogen believes it could develop or obtain that would replace the Axoguard products, the loss of the ability to sell the Axoguard products could have a material adverse effect on Axogen's business until other replacement products would be available.

Processor

Axogen is highly dependent on the continued availability of its processing facilities at CTS in Dayton Ohio and could be harmed if the physical infrastructure of this facility is unavailable for any prolonged period of time. In addition, disruptions could lead to significant costs and reductions in revenues, as well as a potential harm to Axogen's business reputation and financial results. In the event of disruption, Axogen believes it can find and make operational a new leased facility in less than six months, but the regulatory process for approval of facilities is time-consuming and unpredictable. Axogen's ability to rebuild or find acceptable lease facilities could take a considerable amount of time and expense and could cause a significant disruption in service to its customers. Although Axogen has business interruption insurance, which would cover certain costs, it may not cover all costs nor help to regain Axogen's standing in the market.

In July 2018, Axogen purchased a facility (the "APC") in Vandalia, Ohio, located near the CTS processing facility where Avance Nerve Graft and Avive Soft Tissue Membrane are currently processed. The APC, when and if operational, will be the new processing facility for Avance Nerve Graft and Avive Soft Tissue Membrane to provide

continued capacity for growth and to support the transition of Avance Nerve Graft from a 361 HCT/P tissue product to abiologic product. The APC is comprised of a 70,000 square foot building on approximately 8.6 acres of land. The Company paid \$731 for the land and is recorded as Land within our property and equipment account on our balance sheet. The Company paid \$4,300 for the building and this is recorded as projects in process as part of the property and equipment on the balance sheet.

On July 9, 2019, Axogen entered into a Standard Form of Agreement Between Owner and Design-Builder (the “Design-Build Agreement”) with CRB Builders, L.L.C., a Missouri limited liability company (“CRB”), pursuant to which CRB will renovate and retrofit the APC. The Design-Build Agreement contains several design phase milestones that began in July 2019 and sets the date for Substantial Completion (as defined in the Design-Build Agreement) in the third quarter of 2020, subject to adjustment in accordance with the terms of the Design-Build Agreement. The estimated cost pursuant to the Design-Build Agreement is \$29,000. Additional costs associated with the renovation, purchasing of furniture and equipment, validation and certification of the APC are estimated to be \$13,000. These capital expenditure costs will be incurred as they arise until the anticipated full transition of material processing to the APC by early 2022. As of September 30, 2019, the Company has recorded \$2,632 related to renovations and design build. These items are recorded as projects in process as part of the property and equipment on the balance sheet.

Axogen expects to receive certain economic development grants from state and local authorities totaling up to \$2,685 including \$1,250 of cash grants to offset costs to acquire and develop the APC. The economic development grants are subject to certain job creation milestones by 2023 and related contingencies.

As previously disclosed the Company previously entered into an agreement with Heights Union, LLC, a Florida limited liability company (“Heights Union”), for the lease of seventy-five thousand square feet of office space. Pursuant to the Heights Union lease, the Company will use the Heights Union Premises for general office, medical laboratory, training and meeting purposes. The Company anticipates occupying the premises by the second quarter of 2020. Associated with the lease, the Company anticipates spending up to \$10,240 for leasehold improvements, equipment and furniture and fixtures. As of September 30, 2019, the Company has recorded \$92 of leasehold improvements to the new facility.

Litigation

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 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. Plaintiff seeks an order (a) declaring the action a proper class action pursuant to Rule 23 of the Federal Rules of Civil Procedures; (b) awarding Police and Fire Retirement System of the City of Detroit (“Lead Plaintiff”) and the prospective class compensatory damages against all Defendants in an amount to be proven at trial; (c) awarding Lead

Plaintiff and the prospective class extraordinary equitable and/or injunctive relief as permitted by the law (including but not limited to rescission); (d) awarding Lead Plaintiff and the prospective class their costs and expenses incurred in the action, including reasonable attorneys' fees and expert fees; (e) all such other relief that may be just and proper. 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. The Court scheduled oral argument for the motion to dismiss for December 4, 2019. The Company and Individual Defendants dispute the allegations and intend to vigorously defend against the complaint.

On February 4, 2019, a complaint in *Jerry Espinoza, Jr., et al. v. Megan M. Hess, et al.* (2019-cv-30016) was filed in the District Court, Montrose County, Colorado. Plaintiffs, who are relatives of decedents, allege that Axogen purchased specimens from a vendor who failed to obtain consent before procuring the specimen from four decedents. Against Axogen, Plaintiffs allege claims of: (1) outrageous conduct; (2) unjust enrichment; (3) negligence; (4) negligence per se; (5) aiding and abetting; (6) civil conspiracy; and (7) violation of the Colorado Organized Crime Control Act. Plaintiffs seek compensatory damages for emotional distress and anxiety. Axogen was served with the complaint on February 13, 2019. A motion to dismiss has been filed and awaits the Court's ruling. The Court has scheduled a conference on December 17, 2019, at 10:30 a.m. to discuss the pending motions to dismiss in this case and *Wabel*, a nearly identical case filed by the same Plaintiffs' attorneys in June 2019. The Company intends to vigorously defend this matter. This amount of loss, if any, cannot be reasonably estimated at this time.

On June 30, 2019, the law firm representing Plaintiffs in the *Jerry Espinoza, Jr.* matter filed a nearly identical complaint on behalf of additional Plaintiffs in the same Montrose County, Colorado District Court. That action is captioned, *Lisa Wabel, et al. v. Megan M. Hess, et al.* (2019-cv-30071). The claims alleged against Axogen in the *Wabel* complaint are nearly identical to the claims alleged in the *Espinoza* matter. Plaintiffs seek compensatory damages for emotional distress and anxiety. Plaintiffs also seek compensation to the extent Axogen was unjustly enriched, and attorneys' fees and costs. Axogen was served with the complaint effective on July 17, 2019. A motion to dismiss has been filed, but the Court has granted Plaintiffs a stay on filing their opposition to this motion until the December conference. As discussed above, this case, in addition to *Espinoza*, will be discussed at the court conference set for December 17, 2019. The Company disputes the allegations and intends to vigorously defend against the complaint. This amount of loss, if any, cannot be reasonably estimated at this time.

On August 12, 2019, Plaintiff Harvey Jackson, derivatively on behalf of Axogen, filed a verified shareholder derivative complaint in the United States District Court for the Middle District of Florida for violations of securities laws, breach of fiduciary duty, waste of corporate assets and unjust enrichment against Quentin S. Blackford, Gregory G. Freitag, Mark Gold, Jamie M. Grooms, Alan M. Levine, Peter J. Mariani, Guido Neels, Robert J. Rudelius, Amy Wendell, and Karen Zaderej (the "Individual Defendants") and Nominal Defendant Axogen, Inc. ("Axogen") (collectively, "Defendants"). Plaintiff asserts that the Individual Defendants, who are current or former Axogen officers or directors, issued a false proxy statement for the election of directors in violation of Section 14(a) of the Securities Exchange Act of 1934, breached their fiduciary duties, wasted corporate assets and were unjustly enriched by allowing Axogen to make false public statements to investors based on the same claims in the report issued December 18, 2018 by Seligman Investments (the same allegations that form the basis for the *Einhorn* matter and the *Bussey* shareholder demand). Plaintiff demands judgment in the Company's favor against all Individual Defendants as follows: (A) declaring that Plaintiff may maintain this action on behalf of Axogen and that Plaintiff is an adequate representative of Company; (B) declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to Axogen; (C) determining and awarding to Axogen the damages sustained by it because of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre- and post-judgment interest thereon; (D) directing Axogen and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and protect Axogen and its shareholders from a repeat of the damaging events described therein, including but not limited to putting forward for shareholder vote the following resolutions for amendments to the Company's Bylaws or Articles of Incorporation and the following actions as may be necessary to ensure proper corporate governance policies: (i) a proposal to strengthen the Board's supervision of operations and develop and implement procedures for greater shareholder input into the policies

and guidelines of the Board; (ii) a provision to permit the shareholders of Axogen to nominate at least six candidates for election to the Board and (iii) a proposal to ensure the establishment of effective oversight of compliance with applicable laws, rules, and regulations; (E) awarding Axogen restitution form Individual Defendants, and each of them; (F) awarding Plaintiff the costs and disbursements of this actions, including reasonable attorneys' and expert fees, costs, and expenses; and (G) granting such other and further relief as the Court may deem just and proper. The Defendants filed a motion to dismiss on October 22, 2019. Plaintiff's opposition to the motion to dismiss was due on November 5, 2019. On November 5, 2019, Plaintiff filed an unopposed motion to voluntarily dismiss the complaint without prejudice to his right to make a demand upon the board of directors of Axogen, Inc. concerning the subject matter of his complaint. On November 5, 2019, the Court granted the unopposed motion, thereby dismissing the complaint without prejudice. We have taken the position with our insurer that since this claim arises out of the same allegations as in the Einhorn matter, the claim and any expenses with respect thereto should be subject to the same coverage policy and self-insured retention as in Einhorn, and we await the insurer's formal reply.

14. Retirement Plan

Axogen 401(k) Plan

The Company sponsors the Axogen 401(k) plan (the "401(k) Plan"), a defined contribution plan covering substantially all employees of the Company. All full-time employees who have attained the age of 18 are eligible to participate in the 401(k) Plan. Eligibility is immediate upon employment and enrollment is available any time during employment. Participating employees may make annual pretax contributions to their accounts up to a maximum amount as limited by law. The 401(k) Plan requires the Company to make matching contributions of 3% on the first 3% of the employee's annual salary and 1% of the next 2% of the employee's annual salary as long as the employee participates in the 401(k) Plan. Both employee contributions and Company contributions vest immediately. Employer contributions to the 401(k) Plan for the three months ended September 30, 2019 and 2018 were approximately \$231 and \$157, respectively, and for the nine months ended September 30, 2019 and 2018 were approximately \$706 and \$467, respectively.

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

Unless the context otherwise requires, all references in this report to “Axogen,” “the Company,” “we,” “us” and “our” refer to Axogen, Inc., and its wholly owned 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.

Axogen’s 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 submucosa extracellular matrix (“ECM”) coaptation aid for tensionless repair of severed peripheral nerves, 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 and Avive Soft Tissue Membrane, a minimally processed human umbilical cord membrane that may be used as a resorbable soft tissue covering to separate tissue layers. Along with these core surgical products, we also offer the Axotouch® Two-Point Discriminator. This evaluation and measurement tools assist healthcare professionals in detecting changes in sensation, assessing return of sensory function, evaluating effective treatment interventions, and providing feedback to patients on peripheral nerve function. Our portfolio of products is available in the United States, Canada, the United Kingdom and several European and other international countries.

Revenue from the distribution of Axogen’s nerve repair products, the Avance Nerve Graft, Axoguard Nerve Connector, Axoguard Nerve Protector and Avive Soft Tissue Membrane, in the United States is the main contributor to Axogen’s total reported sales and has been the key component of our growth to date. Axogen revenues increased in the first nine months of 2019 compared to the same period of 2018 primarily as a result of continuing revenue growth through product penetration in, and increases of the number of, active accounts, and to a lesser extent, the development and growth of new accounts.

We have experienced that surgeons initially are cautious adopters for 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 committee approval process, have at least one surgeon who has converted a portion of his or her treatment algorithms of peripheral nerve repair to the Axogen portfolio and have ordered Axogen products at least six times in the last 12 months. The number of active accounts at the end of the third quarter of 2019 was approximately 791, representing an increase of 17% compared to 679 at the end of the third quarter of 2018.

As such, revenue growth primarily occurs from increased purchasing from active accounts, followed by revenue growth from new accounts. Each new period of measurement is thus benefited from growth in active accounts which may include those that were new accounts in the prior measurement period. Axogen continues to broaden its sales and marketing focus, which is expected to have a positive contribution to its revenue growth in the long term and invest in the development of our commercial team, infrastructure capabilities, clinical studies, product development and research, as well as surgeon education. As a result, the growth in these expenses outpaced our revenue growth.

There have been no significant changes to our critical accounting policies from those disclosed in our 2018 Annual Report on Form 10-K except for the adoption of the new standard related to Leases, as described in Note 2.

Results of Operations

Comparison of the Three Months Ended September 30, 2019 and 2018

	Three Months Ended September 30,			
	2019		2018	
	Amount	% of Revenue	Amount	% of Revenue
	(dollars in thousands)			
Revenues	\$ 28,564	100.0 %	\$ 22,660	100.0 %
Cost of goods sold	4,510	15.8	3,464	15.3
Gross Profit	24,054	84.2	19,196	84.7
Cost and expenses				
Sales and marketing	18,245	63.9	14,653	64.7
Research and development	4,181	14.6	3,307	14.6
General and administrative	7,740	27.1	6,071	26.8
Total costs and expenses	30,166	105.6	24,031	106.1
Loss from operations	(6,112)	(21.4)	(4,835)	(21.3)
Other income (expense):				
Investment income	555	1.9	727	3.2
Interest expense	(7)	-	6	-
Interest expense - deferred financing costs	—	-	—	-
loss on extinguishment of debt	—	-	—	-
Other expense	(7)	-	—	-
Total other income (expense)	541	1.9	733	3.2
Net Loss	\$ (5,571)	(19.5)%	\$ (4,102)	(18.1)%

Revenues

Revenues for the three months ended September 30, 2019 increased 26.1% to \$28,564 as compared to \$22,660 for the three months ended September 30, 2018. This increase was primarily a result of an increase in unit volume, as well as the net impact of increased prices and changes in product mix.

Gross Profit

Gross profit for the three months ended September 30, 2019 increased 25.3% to \$24,054 as compared to \$19,196 for the three months ended September 30, 2018. This increase was primarily attributable to the increased revenues. Gross margin was 84.2% for the three months ended September 30, 2019, as compared to 84.7% for the same period in 2018.

Costs and Expenses

Total costs and expenses increased 25.5% to \$30,166 for the three months ended September 30, 2019, as compared to \$24,031 for the three months ended September 30, 2018, primarily due to increased sales activity, costs associated with increases in personnel to support our growth, as well as increases in research and development, which includes product development and clinical trial costs. As a percentage of total revenues, total costs and expenses decreased to 105.6% for the three months ended September 30, 2019, as compared to 106.1% for the three months ended September 30, 2018, primarily as a result of the increase in total revenue outpacing the increase in total costs as we have gained some efficiency while continuing to invest in the expansion of our commercial team, research and development and scaling infrastructure. Total costs and expenses for the three months ended September 30, 2019 includes \$532 related to the Company's activity in connection with the ongoing litigation described in Legal Proceedings (the "Litigation").

Sales and marketing expenses increased 24.5% to \$18,245 for the three months ended September 30, 2019, as compared to \$14,653 for the three months ended September 30, 2018. This increase was primarily due to increased compensation expenses related to our direct sales force as a result of continued hiring of additional personnel, increased commissions as a result of increased revenue and distribution, and market development activities. As a percentage of total revenues, sales and marketing expenses decreased to 63.9% for the three months ended September 30, 2019 as compared to 64.7% for the three months ended September 30, 2018.

General and administrative expenses increased 27.5% to \$7,740 for the three months ended September 30, 2019, as compared to \$6,071 for the three months ended September 30, 2018, primarily as the result of increased compensation related to our continuing efforts to expand our resources to support our growth. As a percentage of total revenues, general and administrative expenses had a modest increase to 27.1% for the three months ended September 30, 2019 as compared to 26.8% for the three months ended September 30, 2018.

Research and development expenses increased 26.4% to \$4,181 for the three months ended September 30, 2019, as compared to \$3,307 for the three months ended September 30, 2018. Research and development costs include our product and application development and clinical efforts substantially focused on our Biologics License Application, or BLA, for the Avance Nerve Graft, and development of new products and product applications. The increase in expenses for the third quarter of 2019 related to increased expenditures to support both clinical activities and new product and application development efforts. As a percentage of total revenues, research and development expenses was 14.6% for each of the three months ended September 30, 2019 and 2018.

Other Income and Expenses

For the three months ended September 30, 2019 and 2018, we recognized \$555 and \$727, respectively, of investment income from our asset management and cash investment sweep accounts. The decrease is primarily from the lower average investments balances in the three months ended September 30, 2019 as compared to the three months ended September 30, 2018.

Income Taxes

We had no income tax expenses or income tax benefit for each of the three months ended September 30, 2019 and 2018, due to the incurrence of net operating losses in each of these periods, the benefits of which have been fully reserved. We do not believe that there are any additional tax expenses or benefits currently available.

Comparison of the Nine Months Ended September 30, 2019 and 2018

	Nine Months Ended September 30,			
	2019		2018	
	Amount	% of Revenue	Amount	% of Revenue
(dollars in thousands)				
Revenues	\$ 78,550	100.0 %	\$ 60,504	100.0 %
Cost of goods sold	12,468	15.9	9,282	15.3
Gross Profit	66,082	84.1	51,222	84.7
Cost and expenses				
Sales and marketing	53,146	67.7	41,149	68.0
Research and development	12,602	16.0	7,967	13.2
General and administrative	24,321	31.0	16,751	27.7
Total costs and expenses	90,069	114.7	65,867	108.9
Loss from operations	(23,987)	(30.5)	(14,645)	(24.2)
Other income (expense):				
Investment income	1,925	2.4	884	1.5
Interest expense	(32)	-	(1,124)	(1.9)
Interest expense - deferred financing costs	—	-	(81)	-
loss on extinguishment of debt	—	-	(2,186)	(3.6)
Other expense	(3)	-	(16)	-
Total other income (expense)	1,890	2.4	(2,523)	(4.2)
Net Loss	\$ (22,097)	(28.1)%	\$ (17,168)	(28.4)%

Revenues

Revenues for the nine months ended September 30, 2019, increased 29.8% to \$78,550 as compared to \$60,504 for the nine months ended September 30, 2018. The increase was primarily a result of continuing growth from our core trauma applications, including an increase in the number of active accounts.

Gross Profit

Gross profit for the nine months ended September 30, 2019, increased 29.0% to \$66,082 as compared to \$51,222 for the nine months ended September 30, 2018. This increase was primarily attributable to the increased revenues. Gross margin remained consistent decreased to 84.1% for the nine months ended September 30, 2019, as compared to 84.7% for the same period in 2018.

Costs and Expenses

Total costs and expenses increased 36.7% to \$90,069 for the nine months ended September 30, 2019, as compared to \$65,867 for the nine months ended September 30, 2018, due primarily to increased sales activity, expansion of our commercial team and surgeon education programs, increased costs associated with increases in personnel to support our growth, including non-cash stock compensation, as well as increases in research and development, which includes product development and clinical trial costs. As a percentage of total revenues, total cost and expenses increased to 114.7% for the nine months ended September 30, 2019, as compared to 108.9% for the nine months ended September 30, 2018, primarily as a result of the increase in total costs outpacing the increase in total revenues as we have continued to invest in the expansion of our commercial team, research and development activities, and infrastructure. Total costs and expenses for the nine months ended September 30, 2019 includes \$2,327 related to the Company's activity in connection with the Litigation.

Sales and marketing expenses increased 29.2% to \$53,146 for the nine months ended September 30, 2019, as compared to \$41,149 for the nine months ended September 30, 2018. This increase was primarily due to increased compensation expenses related to our direct sales force as a result of continued hiring of additional personnel and the

expansion of the Company's surgeon education program and continued investment in market development activities. As a percentage of total revenues, sales and marketing expenses decreased to 67.7% for the nine months ended September 30, 2019 as compared to 68.0% for the nine months ended September 30, 2018.

General and administrative expenses increased 45.2% to \$24,321 for the nine months ended September 30, 2019 as compared to \$16,751 for the nine months ended September 30, 2018, primarily as the result of increased compensation related to our continuing efforts to expand our resources to support our growth and professional fees related to the Litigation. As a percentage of total revenues, general and administrative expenses were 31.0% for the nine months ended September 30, 2019 as compared to 27.7% for the nine months ended September 30, 2018.

Research and development expenses increased 58.2% to \$12,602 for the nine months ended September 30, 2019 as compared to \$7,967 for the nine months ended September 30, 2018. The increase in expenses for the nine months ended September 30, 2019 related to increased compensation from the hiring of additional personnel to support both clinical and new product and application development efforts. As a percentage of total revenues, research and development expenses for the nine months ended September 30, 2019 were 16.0% as compared to 13.2% for the nine months ended September 30, 2018.

Other Income and Expenses

For the nine months ended September 30, 2019 and 2018, we recognized \$1,925 and \$884 of investment income from our asset management and cash investment sweep accounts. These accounts were originally opened during the second quarter of 2018 and therefore 2019 includes five more months of investment income. During the prior year period, the Company incurred a loss on extinguishment of debt of \$2,186 for prepayment fees and \$81 from the amortization of deferred financing costs in connection with the prepayment in full of the Term Loan and Revolving Loan with MidCap. The Company did not incur similar losses or costs for the period in 2019. For the nine months ended September 30, 2019 and 2018, the Company incurred \$32 and \$1,124 of interest expense.

Income Taxes

We had no income tax expenses or income tax benefit for each of the nine months ended September 30, 2019 and 2018, due to the incurrence of net operating losses in each of these periods, the benefits of which have been fully reserved. We do not believe that there are any additional tax expenses or benefits currently available.

Effect of Inflation

Inflation did not have a significant impact on the Company's net sales, revenues or income from continuing operations during the nine months ended September 30, 2019 and 2018.

Liquidity and Capital Resources

Cash Flow Information

As of September 30, 2019, the Company had cash, cash equivalents, and restricted cash of \$30,555, an increase of \$261 from \$30,294 at December 31, 2018, primarily as a result of net maturities of short-term investments of \$17,757 and proceeds from stock option exercises of \$3,142 offset by the funds used in operating activities of \$16,542 and purchases of property and equipment of \$3,676.

The Company had working capital of \$120,586 and a current ratio of 8.2 at September 30, 2019, compared to working capital of \$137,909 and a current ratio of 11.6 at December 31, 2018. The decrease in working capital and the current ratio at September 30, 2019, as compared to December 31, 2018, was primarily due to the use of working capital to fund operations, including increased compensation from hiring additional personnel to support the business, the payment in 2019 of the 2018 performance bonus, 2018 annual sales awards and related costs. The Company believes it has sufficient cash resources to meet its liquidity requirements for at least the next 12 months based on its expected level of operations.

Axogen's future capital requirements depend on a number of factors including, without limitation, revenue increases consistent with its business plan, cost of products and acquisition and/or development of new products. Axogen could face increasing capital needs. Such capital needs could be substantial depending on the extent to which Axogen is unable to increase revenue.

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

The Company's principal sources and uses of funds are explained below:

Cash used in operating activities

Operating activities for the nine months ended September 30, 2019 used \$16,542 of cash as compared to using \$12,886 of cash for operating activities for the nine months ended September 30, 2018. This increase in cash used for operating activities of approximately \$3,656 was primarily attributable to higher net losses in 2019 after adjusting for higher non-cash expenses, including stock-based compensation and depreciation, as compared to 2018.

Cash provided by investing activities

Investing activities for the nine months ended September 30, 2019 provided \$13,685 of cash as compared to using \$106,737 of cash for the nine months ended September 30, 2018. This increase in cash provided by investing activities was principally attributable to the redemption of short-term investments, partially offset by ongoing investment in the renovation of the APC in Vandalia Ohio.

Cash provided by financing activities

Financing activities for the nine months ended September 30, 2019 provided \$3,118 of cash as compared to providing \$108,745 of cash for the nine months ended September 30, 2018. The decrease in cash provided by financing activities was primarily the result of the net proceeds of \$132,706 from the public stock offering, offset by 26,253 of payments on the Company's debt, including prepayment fees in the prior year period. Proceeds from the exercise of stock options provided \$3,142 and \$2,778 of cash for the nine months ended September 30, 2019 and 2018, respectively.

Operating Cash Requirements

On July 9, 2019, Axogen entered into a Standard Form of Agreement Between Owner and Design-Builder (the "Design-Build Agreement") with CRB Builders, L.L.C., a Missouri limited liability company ("CRB"), pursuant to which CRB will renovate and retrofit the APC (See Footnote 12 Commitment and Contingencies in the Notes to the Condensed Financial Statements). The Company anticipates spending up to approximately \$33,500 for renovations, equipment and furniture over the next twelve months and up to \$37,600 over the next 18 months.

As previously disclosed the Company previously entered into an agreement with Heights Union, LLC, a Florida limited liability company ("Heights Union"), for the lease of seventy-five thousand square feet of office space. Pursuant to the Heights Union lease, the Company will use the Heights Union Premises for general office, medical laboratory, training and meeting purposes. The Company anticipates occupying the premises by the second quarter of 2020. Associated with the lease, the Company anticipates spending up to \$10,000 for leasehold improvements, equipment and furniture and fixtures over the next twelve months.

As of September 30, 2019, we had cash, cash equivalents and investments totaling \$106,066 million and total current liabilities of \$16,757. Based on current estimates, we believe that our existing cash, cash equivalents and investments will allow us to fund our operations through at least the next 12 months.

Credit Facilities

On October 25, 2016, the Company entered into Term Loan and a Revolving Loan with MidCap Financial Trust (“MidCap”) maturing on May 1, 2021.

The Company had the option at any time to prepay the Term Loan in whole or in part, subject to payment of a prepayment fee and an exit fee. On May 22, 2018, the Company exercised its option and paid \$22,500 to prepay the Term Loan in full, which included exit and pre-payment fees totaling \$1,500. In addition, on May 22, 2018, the Company charged to interest expense the unamortized deferred financing costs associated with the Term Loan of \$473.

The Company also had the option to terminate or permanently reduce the Revolving Loan prior to the maturity date subject to its payment of a deferred origination fee. On May 22, 2018, the Company exercised its option to terminate and paid \$3,000 to prepay the Revolving Loan in full, which amount included fees of \$236.

Material Commitments

As previously disclosed in footnote 12, the Company purchased a 70,000 square foot facility on approximately 8.6 acres of land in Vandalia, Ohio.

On July 9, 2019, the Company entered into the Design-Build Agreement with CRB, pursuant to which CRB will renovate and retrofit the property. Once completed, the Company will use the property for material processing, medical laboratory, general office, training and meeting purposes. The Design-Build Agreement contains several design phase milestones beginning in July 2019 and sets the date for Substantial Completion (as defined in the Design-Build Agreement) in the third quarter of 2020, subject to adjustment in accordance with the terms of the Design-Build Agreement. The estimated cost pursuant to the Design-Build Agreement is \$29,000. Additional costs associated with the renovation, purchasing of furniture and equipment, validation and certification of the property are estimated to be \$13,000. These capital expenditure costs will be incurred as they arise until the anticipated full transition of material processing to the property by early 2022.

The Company expects to receive certain economic development grants from state and local authorities totaling up to \$2,685 including \$1,250 of cash grants to offset costs to acquire and develop the property. The economic development grants are subject to certain job creation milestones by 2023 and related contingencies.

Off-Balance Sheet Arrangements

Axogen does not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our exposure to market risk of financial instruments contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those described due to a number of factors, including uncertainties associated with general economic conditions and conditions impacting our industry.

We are exposed to certain market risks in the ordinary course of business.

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivables. We maintain our accounts for cash and cash equivalents principally at one major bank and one investment firm in the United States. We have not experienced any losses on our deposits of our cash and cash equivalents.

With respect to accounts receivable, we perform credit evaluations of our customers and do not require collateral. There have been no material losses on accounts receivables. Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers make up the Company’s customer

base, thus spreading the trade credit risk. The Company also controls credit risk through credit approvals and monitoring procedures.

We are subject to market risk from exposure to changes in interest rates based upon our investing and cash management activities. Changes in interest rates affect interest income earned on cash and cash equivalents. We have not entered into derivative transactions related to cash and cash equivalents. We do not expect changes in interest rates to have a material adverse effect on our income or our cash flows in 2019. However, we can give no assurance that interest rates will not significantly change in the future.

The value of the U.S. dollar compared to the Euro has little to no effect on our financial results. International business transactions are currently invoiced in U.S. dollars. As a result, the Company has minimal exposure related to exchange rate fluctuations.

In the United States, we sell our products directly to hospitals and clinics in the local currency. Revenue is recognized as disclosed in Note 2 - Summary of Significant Accounting Policies - Revenue Recognition in our Notes to the Unaudited Condensed Consolidated Financial Statements.

In all international markets, we distribute our products and services to independent distributors who, in turn, distribute and market to medical clinics. The revenue from the distribution of our products in these countries through independent distributors is denominated in United States dollars.

We do not believe our operations are currently subject to significant market risks for foreign currency exchange rates, commodity prices or other relevant market price risks of a material nature.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, 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 the design and operation of our disclosure controls and procedures as of September 30, 2019 and concluded that our disclosure controls and procedures were effective.

Changes in Internal Controls Over Financial Reporting

There have not been any changes in our internal control over financial reporting identified in management’s Evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the three months ended September 30, 2019 that materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

From time to time, we may be a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business, some of which relate to some or all of certain of our patents. While it is not possible to determine the outcome of these matters, management does not expect that the ultimate costs to resolve these matters will materially adversely affect our business, financial position, or results of operations.

Except as provided below, Axogen and its subsidiaries are not a party to any material litigation as of June 30, 2019:

1. 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 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. Plaintiff seeks an order (a) declaring the action a proper class action pursuant to Rule 23 of the Federal Rules of Civil Procedures; (b) awarding Police and Fire Retirement System of the City of Detroit (“Lead Plaintiff”) and the prospective class compensatory damages against all Defendants in an amount to be proven at trial; (c) awarding Lead Plaintiff and the prospective class extraordinary equitable and/or injunctive relief as permitted by the law (including but not limited to rescission); (d) awarding Lead Plaintiff and the prospective class their costs and expenses incurred in the action, including reasonable attorneys’ fees and expert fees; (e) all such other relief that may be just and proper. 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. The Court scheduled oral argument for the motion to dismiss for December 4, 2019. The Company and Individual Defendants dispute the allegations and intend to vigorously defend against the complaint.
2. On February 4, 2019, a complaint in *Jerry Espinoza, Jr., et al. v. Megan M. Hess, et al.* (2019-cv-30016) was filed in the District Court, Montrose County, Colorado. Plaintiffs, who are relatives of decedents, allege that Axogen purchased specimens from a vendor who failed to obtain consent before procuring the specimen from four decedents. Against Axogen, Plaintiffs allege claims of: (1) outrageous conduct; (2) unjust enrichment; (3) negligence; (4) negligence per se; (5) aiding and abetting; (6) civil conspiracy; and (7) violation of the Colorado Organized Crime Control Act. Plaintiffs seek compensatory damages for emotional distress and anxiety. Axogen was served with the complaint on February 13, 2019. A motion to dismiss has been filed, and awaits the Court’s ruling. The Court has scheduled a conference on December 17, 2019, at 10:30 a.m. to discuss the pending motions to dismiss in this case and *Wabel*, a nearly identical case filed by the same Plaintiffs’ attorneys in June 2019. The

Company intends to vigorously defend this matter. This amount of loss, if any, cannot be reasonably estimated at this time.

3. On June 30, 2019, the law firm representing Plaintiffs in the Jerry Espinoza, Jr. matter filed a nearly identical complaint on behalf of additional Plaintiffs in the same Montrose County, Colorado District Court. That action is captioned, Lisa Wabel, et al. v. Megan M. Hess, et al. (2019-cv-30071). The claims alleged against Axogen in the Wabel complaint are nearly identical to the claims alleged in the Espinoza matter. Plaintiffs seek compensatory damages for emotional distress and anxiety. Plaintiffs also seek compensation to the extent Axogen was unjustly enriched, and attorneys' fees and costs. Axogen was served with the complaint effective on July 17, 2019. A motion to dismiss has been filed, but the Court has granted Plaintiffs a stay on filing their opposition to this motion until the December conference. As discussed above, this case, in addition to Espinoza, will be discussed at the court conference set for December 17, 2019. The Company intends to vigorously defend this matter. This amount of loss, if any, cannot be reasonably estimated at this time.
4. On August 12, 2019, Plaintiff Harvey Jackson, derivatively on behalf of Axogen, filed a verified shareholder derivative complaint in the United States District Court for the Middle District of Florida for violations of securities laws, breach of fiduciary duty, waste of corporate assets and unjust enrichment against Quentin S. Blackford, Gregory G. Freitag, Mark Gold, Jamie M. Grooms, Alan M. Levine, Peter J. Mariani, Guido Neels, Robert J. Rudelius, Amy Wendell, and Karen Zaderej (the "Individual Defendants") and Nominal Defendant Axogen, Inc. ("Axogen") (collectively, "Defendants"). Plaintiff asserts that the Individual Defendants, who are current or former Axogen officers or directors, issued a false proxy statement for the election of directors in violation of Section 14(a) of the Securities Exchange Act of 1934, breached their fiduciary duties, wasted corporate assets and were unjustly enriched by allowing Axogen to make false public statements to investors based on the same claims in the report issued December 18, 2018 by Seligman Investments (the same allegations that form the basis for the Einhorn matter and the Bussey shareholder demand). Plaintiff demands judgment in the Company's favor against all Individual Defendants as follows: (A) declaring that Plaintiff may maintain this action on behalf of Axogen, and that Plaintiff is an adequate representative of the Company; (B) declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to Axogen; (C) determining and awarding to Axogen the damages sustained by it because of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre- and post-judgment interest thereon; (D) directing Axogen and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and protect Axogen and its shareholders from a repeat of the damaging events described therein, including but not limited to putting forward for shareholder vote the following resolutions for amendments to the Company's Bylaws or Articles of Incorporation and the following actions as may be necessary to ensure proper corporate governance policies: (i) a proposal to strengthen the Board's supervision of operations and develop and implement procedures for greater shareholder input into the policies and guidelines of the Board; (ii) a provision to permit the shareholders of Axogen to nominate at least six candidates for election to the Board and (iii) a proposal to ensure the establishment of effective oversight of compliance with applicable laws, rules, and regulations; (E) awarding Axogen restitution from Individual Defendants, and each of them; (F) awarding Plaintiff the costs and disbursements of this actions, including reasonable attorneys' and expert fees, costs, and expenses; and (G) granting such other and further relief as the Court may deem just and proper. The Defendants filed a motion to dismiss on October 22, 2019. Plaintiff's opposition to the motion to dismiss was due on November 5, 2019. On November 5, 2019, Plaintiff filed an unopposed motion to voluntarily dismiss the complaint without prejudice to his right to make a demand upon the board of directors of Axogen, Inc. concerning the subject matter of his complaint. We have taken the position with our insurer that since this claim arises out of the same allegations as in the Einhorn matter, the claim and any expenses with respect thereto should be subject to the same coverage policy and self-insured retention as in Einhorn, and we await the insurer's formal reply.

ITEM 1A - RISK FACTORS

The Company faces a number of risks and uncertainties. In addition to the other information in this report and the Company's other filings with the SEC, readers should consider carefully the risk factors discussed in Part I "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. If any of these

risks actually occur, the Company's business, results of operations or financial condition could be materially adversely affected. There have been no material changes to these risk factors since the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

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
3.1†	Amended and Restated Articles of Incorporation of Axogen, Inc.
10.2†	Axogen Inc. 2019 Long-Term Incentive Plan and forms of award notices and agreements thereunder.
31.1†	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.
31.2†	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.
32††	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.
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 does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

† Filed herewith.

†† Furnished herewith.

SIGNATURES

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

AXOGEN, INC.

Dated: November 6, 2019

/s/ Karen Zaderej

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

Dated: November 6, 2019

/s/ Peter J. Mariani

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

**AMENDED AND RESTATED ARTICLES OF INCORPORATION OF
AXOGEN, INC. ARTICLE 1. NAME**

The name of the corporation is "Axogen, Inc."

ARTICLE 2. REGISTERED OFFICE

The address of the registered office of the corporation in Minnesota is CT Corporation System Inc., 1010 Dale St. No., St. Paul, MN 55117-5603.

ARTICLE 3. AUTHORIZED SHARES

The aggregate number of authorized shares of the corporation is 100,000,000, \$0.01 par value per share, which shall be divisible into the classes and series, have the designations, voting rights, and other rights and preferences and be subject to the restrictions that the Board of Directors of the corporation may from time to time establish, fix, and determine consistent with Articles 4 and 5 hereof and as permitted by law. Unless otherwise designated by the Board of Directors, all issued shares shall be deemed Common Stock with equal rights and preferences.

ARTICLE 4. NO CUMULATIVE VOTING

There shall be no cumulative voting by the shareholders of the corporation.

ARTICLE 5. NO PREEMPTIVE RIGHTS

The shareholders of the corporation shall not have preemptive rights to subscribe for or acquire securities or rights to purchase securities of any kind, class, or series of the corporation.

ARTICLE 6. WRITTEN ACTION BY DIRECTORS

An action required or permitted to be taken at a meeting of the Board of Directors of the corporation may be taken by a written action signed, or consented to by authenticated electronic communication, by all of the directors unless the action need not be approved by the shareholders of the corporation, in which case the action may be taken by a written action signed, or consented to by authenticated electronic communication, by the number of directors that would be required to take the same action at a meeting of the Board of Directors of the corporation at which all of the directors were present.

ARTICLE 7. DIRECTOR LIABILITY

To the fullest extent permitted by the Minnesota Business Corporation Act as the same exists or may hereafter be amended, a director of this corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. Neither the amendment, modification or repeal of this Article nor the adoption of any provision in these articles of incorporation inconsistent with this Article shall adversely affect any right or protection of a director or officer of the corporation with respect to any act or omission that occurred prior to the time of such amendment, modification, repeal or adoption.

**AXOGEN, INC.
2019 LONG-TERM INCENTIVE PLAN**

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1. History; Effective Date.

AXOGEN, INC., a Minnesota corporation, (“*Axogen*”), has established the AXOGEN, INC. 2019 LONG-TERM INCENTIVE PLAN, as set forth herein, and as the same may be amended from time to time (the “*Plan*”). The Plan was adopted by the Board of Directors of Axogen (the “*Board*”) on May 20, 2019. The Plan shall become and is effective as of the date that it is approved by the stockholders of Axogen (the “*Effective Date*”). No awards will be made under the Axogen, Inc. 2010 Stock Incentive Plan (Amended and Restated as of April 5, 2017) (the “*Prior Plan*”) on or after the Effective Date.

2. Purposes of the Plan.

The Plan is designed to:

- (a) promote the long-term financial interests and growth of Axogen and its Subsidiaries (together, the “*Company*”) by attracting and retaining management and other personnel and key service providers with the training, experience and ability to enable them to make a substantial contribution to the success of the Company’s business;
- (b) motivate management personnel by means of growth-related incentives to achieve long-range goals; and
- (c) further the alignment of interests of Participants with those of the stockholders of Axogen through opportunities for increased stock or stock-based ownership in Axogen.

Toward these objectives, the Administrator may grant stock options, stock appreciation rights, stock awards, stock units, performance shares, performance units, and other stock-based awards to eligible individuals on the terms and subject to the conditions set forth in the Plan.

3. Terminology.

Except as otherwise specifically provided in an Award Agreement, capitalized words and phrases used in the Plan or an Award Agreement shall have the meaning set forth in the glossary at Section 17 of the Plan or as defined the first place such word or phrase appears in the Plan.

4. Administration.

- (a) *Administration of the Plan.* The Plan shall be administered by the Administrator.
- (b) *Powers of the Administrator.* The Administrator shall, except as otherwise provided under the Plan, have plenary authority, in its sole and absolute discretion, to grant Awards pursuant to the terms of the Plan to Eligible Individuals and to take all other actions necessary or desirable to carry out the purpose and intent of the Plan. Among other things, the Administrator shall have the authority, in its sole and absolute discretion, subject to the terms and conditions of the Plan to:
 - (i) determine the Eligible Individuals to whom, and the time or times at which, Awards shall be granted;
 - (ii) determine the types of Awards to be granted any Eligible Individual;
 - (iii) determine the number of shares of Common Stock to be covered by or used for reference purposes for each Award or the value to be transferred pursuant to any Award;
 - (iv) determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (A) the purchase price of any shares of Common Stock, (B) the method of payment for shares purchased

pursuant to any Award, (C) the method for satisfying any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Common Stock, (D) the timing, terms and conditions of the exercisability, vesting or payout of any Award or any shares acquired pursuant thereto, (E) the Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (F) the time of the expiration of any Award, (G) the effect of the Participant's Termination of Service on any of the foregoing, and (H) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto as the Administrator shall consider to be appropriate and not inconsistent with the terms of the Plan;

(v) subject to Sections 7(e), 10(c) and 15, modify, amend or adjust the terms and conditions of any Award;

(vi) accelerate or otherwise change the time at or during which an Award may be exercised or becomes payable and waive or accelerate the lapse, in whole or in part, of any restriction, condition or risk of forfeiture with respect to such Award; *provided, however,* that, except in connection with death, disability or a Change in Control, no such change, waiver or acceleration shall be made to any Award that is considered "deferred compensation" within the meaning of Section 409A of the Code if the effect of such action is inconsistent with Section 409A of the Code;

(vii) determine whether an Award will be paid or settled in cash, shares of Common Stock, or in any combination thereof and whether, to what extent and under what circumstances cash or shares of Common Stock payable with respect to an Award shall be deferred either automatically or at the election of the Participant;

(viii) for any purpose, including but not limited to, qualifying for preferred or beneficial tax treatment, accommodating the customs or administrative challenges or otherwise complying with the tax, accounting or regulatory requirements of one or more jurisdictions, adopt, amend, modify, administer or terminate sub-plans, appendices, special provisions or supplements applicable to Awards regulated by the laws of a particular jurisdiction, which sub-plans, appendices, supplements and special provisions may take precedence over other provisions of the Plan, and prescribe, amend and rescind rules and regulations relating to such sub-plans, supplements and special provisions;

(ix) establish any "blackout" period, during which transactions affecting Awards may not be effectuated, that the Administrator in its sole discretion deems necessary or advisable;

(x) determine the Fair Market Value of shares of Common Stock or other property for any purpose under the Plan or any Award;

(xi) administer, construe and interpret the Plan, Award Agreements and all other documents relevant to the Plan and Awards issued thereunder, and decide all other matters to be determined in connection with an Award;

(xii) establish, amend, rescind and interpret such administrative rules, regulations, agreements, guidelines, instruments and practices for the administration of the Plan and for the conduct of its business as the Administrator deems necessary or advisable;

(xiii) correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent the Administrator shall consider it desirable to carry it into effect; and

(xiv) otherwise administer the Plan and all Awards granted under the Plan.

(c) *Delegation of Administrative Authority.* The Administrator may designate officers or employees of the Company to assist the Administrator in the administration of the Plan and, to the extent permitted by applicable law and stock exchange rules, the Administrator may delegate to officers or other

employees of the Company the Administrator's duties and powers under the Plan, subject to such conditions and limitations as the Administrator shall prescribe, including without limitation the authority to execute agreements or other documents on behalf of the Administrator; provided, however, that such delegation of authority shall not extend to the granting of, or exercise of discretion with respect to, Awards to Eligible Individuals who are officers under Section 16 of the Exchange Act.

(d) *Non-Uniform Determinations.* The Administrator's determinations under the Plan (including without limitation, determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the Award Agreements evidencing such Awards, and the ramifications of a Change in Control upon outstanding Awards) need not be uniform and may be made by the Administrator selectively among Awards or persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

(e) *Limited Liability; Advisors.* To the maximum extent permitted by law, no member of the Administrator shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder. The Administrator may employ counsel, consultants, accountants, appraisers, brokers or other persons. The Administrator, Axogen, and the officers and directors of Axogen shall be entitled to rely upon the advice, opinions or valuations of any such persons.

(f) *Indemnification.* To the maximum extent permitted by law, by Axogen's charter and by-laws, and by any directors' and officers' liability insurance coverage which may be in effect from time to time, the members of the Administrator and any agent or delegate of the Administrator who is a director, officer or employee of Axogen or an Affiliate shall be indemnified by Axogen against any and all liabilities and expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of the Plan.

(g) *Effect of Administrator's Decision.* All actions taken and determinations made by the Administrator on all matters relating to the Plan or any Award pursuant to the powers vested in it hereunder shall be in the Administrator's sole and absolute discretion, unless in contravention of any express term of the Plan, including, without limitation, any determination involving the appropriateness or equitableness of any action. All determinations made by the Administrator shall be conclusive, final and binding on all parties concerned, including Axogen, its stockholders, any Participants and any other employee, consultant, or director of Axogen and its Affiliates, and their respective successors in interest. No member of the Administrator, nor any director, officer, employee or representative of Axogen shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or Awards.

5. Shares Issuable Pursuant to Awards.

(a) *Initial Share Pool.* As of the Effective Date, the number of shares of Common Stock issuable pursuant to Awards that may be granted under the Plan (the "*Share Pool*") shall be: (i) 3,000,000 shares plus (ii) the number of unallocated shares of Common Stock available for issuance as of the Effective Date under the Prior Plan that are not then subject to outstanding Awards.

(b) *Adjustments to Share Pool.* On and after the Effective Date, the Share Pool shall be adjusted, in addition to any adjustments to be made pursuant to Section 10 of the Plan, as follows:

(i) The Share Pool shall be reduced, on the date of grant, by one share for each share of Common Stock made subject to an Award granted under the Plan;

(ii) The Share Pool shall be increased, on the relevant date, by the number of unissued shares of Common Stock underlying or used as a reference measure for any Award granted under this Plan or the Prior Plan that is cancelled, forfeited, expired, terminated, unearned or settled in cash, in any such case without the issuance of shares;

(iii) The Share Pool shall be increased, on the forfeiture date, by the number of shares of Common Stock that are forfeited back to Axogen after issuance due to a failure to meet an Award contingency or condition with respect to any Award or portion of an Award granted under this Plan or the Prior Plan;

For the avoidance of doubt, the Share Pool shall not be increased by (A) shares of Common Stock used as a reference measure for any Award granted under this Plan that are not issued upon settlement of such Award due to a net settlement, (B) shares of Common Stock withheld by or surrendered (either actually or through attestation) to Axogen in payment of the exercise price of any Award, (C) shares of Common Stock withheld by or surrendered (either actually or through attestation) to Axogen in payment of the Tax Withholding Obligation that arises in connection with any Award, or (D) shares of Common Stock have been reacquired by the Company in the open market using the proceeds of amounts received upon the exercise of stock options.

(c) Subject to adjustment as provided in Section 10 of the Plan:

(i) the maximum number of shares of Common Stock that may be made subject to Awards granted under the Plan during a calendar year to any one person in the form of stock options or stock appreciation rights is, in the aggregate, 1,000,000 shares;

(ii) the maximum number of shares of Common Stock that may be made subject to Awards granted under the Plan during a calendar year to any one person in the form of Performance Awards is, in the aggregate, 1,000,000 shares, and

(iii) in connection with Awards granted under the Plan during a calendar year to any one person in the form of Performance Shares, the maximum cash amount payable thereunder is the amount equal to the number of shares made subject to the Award, as limited by Section 5(c)(ii), multiplied by the Fair Market Value as determined as of the payment date; and

(iv) in connection with Awards granted under the Plan during a calendar year to any one person in the form of Performance Units, the maximum cash amount payable under such Performance Units is \$1,000,000;

provided, however, that each of the limitations set forth above in clauses (i), (ii) and (iii) of this Section 5(c) shall be multiplied by two when applied to Awards granted to any individual during the calendar year in which such individual first commences service with Axogen or a Subsidiary; and *provided, further*, that the limitations set forth above in clauses (ii) and (iii) of this Section 5(c) shall be multiplied by the number of calendar years over which the applicable Performance Period spans (in whole or in part), if the Performance Period is longer than 12 months' duration, when applied to Performance Awards. If an Award is terminated, surrendered or canceled in the same year in which it was granted, such Award nevertheless will continue to be counted against the limitations set forth above in this Section 5(c) for the calendar year in which it was granted.

(d) *Non-Employee Director Award Limit.* In addition, the Administrator may establish compensation for Non-Employee Directors from time to time, subject to the limitations in the Plan. The Administrator will from time to time determine the terms, conditions and amounts of all such Non-Employee Director compensation in its discretion and pursuant to the exercise of its business judgment, taking into account such factors, circumstances and considerations as it shall deem relevant from time to time, provided that the sum of any cash compensation and the grant date fair value of Awards (as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) granted under the Plan to a Non-Employee Director as compensation for services as a Non-Employee Director during any calendar year of the Company may not exceed \$750,000 for an annual grant, *provided however*, in a Non-Employee Director's first year of service compensation for services may not exceed \$1,000,000 (such limits, the "*Director Limits*"). The Administrator may make exceptions to this limit for individual Non-Employee directors in extraordinary circumstances, as the Administrator may determine in its discretion, provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such compensation or in other compensation decisions involving Non-Employee Director.

(e) *ISO Limit.* Subject to adjustment pursuant to Section 10 of the Plan, the maximum number of shares of Common Stock that may be issued pursuant to stock options granted under the Plan that are intended to qualify as Incentive Stock Options within the meaning of Section 422 of the Code shall be equal to 2,500,000.

(f) *Source of Shares.* The shares of Common Stock with respect to which Awards may be made under the Plan shall be shares authorized for issuance under Axogen's charter but unissued, or issued and reacquired, including without limitation shares purchased in the open market or in private transactions.

6. Participation.

Participation in the Plan shall be open to all Eligible Individuals, as may be selected by the Administrator from time to time. The Administrator may also grant Awards to Eligible Individuals in connection with hiring, recruiting or otherwise, prior to the date the individual first performs services for Axogen or a Subsidiary; *provided, however,* that such Awards shall not become vested or exercisable, and no shares shall be issued to such individual, prior to the date the individual first commences performance of such services.

7. Awards.

(a) *Awards, In General.* The Administrator, in its sole discretion, shall establish the terms of all Awards granted under the Plan consistent with the terms of the Plan. Awards may be granted individually or in tandem with other types of Awards, concurrently with or with respect to outstanding Awards. All Awards are subject to the terms and conditions provided in the Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. Unless otherwise specified by the Administrator, in its sole discretion, or otherwise provided in the Award Agreement, an Award shall not be effective unless the Award Agreement is signed or otherwise accepted by Axogen and the Participant receiving the Award (including by electronic delivery and/or electronic signature).

(b) *Vesting Restrictions.* Except as provided below and notwithstanding any provision of the Plan to the contrary, each Award granted under the Plan shall be subject to a minimum Restriction Period of 12 months from the date of grant. Except as provided below and notwithstanding any provision of the Plan to the contrary, the Administrator shall not have discretionary authority to waive the minimum Restriction Period applicable to an Award, except in the case of death, disability, retirement, or a Change in Control. The provisions of this Section 7(b) shall not apply and/or may be waived, in the Administrator's discretion, with respect to up to the number of Awards that is equal to five percent (5%) of the aggregate Share Pool as of the Effective Date.

(c) *Stock Options.*

(i) *Grants.* A stock option means a right to purchase a specified number of shares of Common Stock from Axogen at a specified price during a specified period of time. The Administrator may from time to time grant to Eligible Individuals Awards of Incentive Stock Options or Nonqualified Options; *provided, however,* that Awards of Incentive Stock Options shall be limited to employees of Axogen or of any current or hereafter existing "parent corporation" or "subsidiary corporation," as defined in Sections 424(e) and 424(f) of the Code, respectively, of Axogen, and any other Eligible Individuals who are eligible to receive Incentive Stock Options under the provisions of Section 422 of the Code. No stock option shall be an Incentive Stock Option unless so designated by the Administrator at the time of grant or in the applicable Award Agreement.

(ii) *Exercise.* Stock options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; *provided, however,* that Awards of stock options may not have a term in excess of ten years' duration unless required otherwise by applicable law. The exercise price per share subject to a stock option granted under the Plan shall not be less than the Fair Market Value of one share of Common Stock on the date of grant of the stock option, except as provided under applicable law or with respect to stock options that are granted in substitution of similar types of awards of a company acquired by Axogen or a Subsidiary or with which Axogen or a Subsidiary combines (whether in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, or otherwise) to preserve the intrinsic value of such awards.

(iii) *Termination of Service.* Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock options are not vested and exercisable, a Participant's stock options shall be forfeited upon his or her Termination of Service.

(iv) *Additional Terms and Conditions.* The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock options, *provided* they are not inconsistent with the Plan.

(d) (v) *Rights of a Stockholder; Dividends.* Until shares of Common Stock are issued to the Participant upon the exercise of stock options, the Participant shall not have any rights of a stockholder of Axogen with respect to the options or the shares issuable thereunder including dividends or Dividend Equivalents. *Limitation on Reload Options.* The Administrator shall not grant stock options under this Plan that contain a reload or replenishment feature pursuant to which a new stock option would be granted automatically upon receipt of delivery of Common Stock to Axogen in payment of the exercise price or any tax withholding obligation under any other stock option.

(e) *Stock Appreciation Rights.*

(i) *Grants.* The Administrator may from time to time grant to Eligible Individuals Awards of stock appreciation rights. A stock appreciation right entitles the Participant to receive, subject to the provisions of the Plan and the Award Agreement, a payment having an aggregate value equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one share of Common Stock over (B) the base price per share specified in the Award Agreement, times (ii) the number of shares specified by the stock appreciation right, or portion thereof, which is exercised. The base price per share specified in the Award Agreement shall not be less than the lower of the Fair Market Value on the date of grant or the exercise price of any tandem stock option to which the stock appreciation right is related, or with respect to stock appreciation rights that are granted in substitution of similar types of awards of a company acquired by Axogen or a Subsidiary or with which Axogen or a Subsidiary combines (whether in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, or otherwise) such base price as is necessary to preserve the intrinsic value of such awards.

(ii) *Exercise.* Stock appreciation rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; *provided, however,* that stock appreciation rights granted under the Plan may not have a term in excess of ten years' duration unless required otherwise by applicable law. The applicable Award Agreement shall specify whether payment by Axogen of the amount receivable upon any exercise of a stock appreciation right is to be made in cash or shares of Common Stock or a combination of both, or shall reserve to the Administrator or the Participant the right to make that determination prior to or upon the exercise of the stock appreciation right. If upon the exercise of a stock appreciation right a Participant is to receive a portion of such payment in shares of Common Stock, the number of shares shall be determined by dividing such portion by the Fair Market Value of a share of Common Stock on the exercise date. No fractional shares shall be used for such payment and the Administrator shall determine whether cash shall be given in lieu of such fractional shares or whether such fractional shares shall be eliminated.

(iii) *Termination of Service.* Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock appreciation rights are not vested and exercisable, a Participant's stock appreciation rights shall be forfeited upon his or her Termination of Service.

(iv) *Additional Terms and Conditions.* The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock appreciation rights, *provided* they are not inconsistent with the Plan.

(v) *Rights of a Stockholder; Dividends.* Until shares of Common Stock are issued to the Participant upon the exercise of stock appreciation rights, the Participant shall not have any rights of a stockholder of Axogen with respect to the stock appreciation right or the shares issuable thereunder including dividends or Dividend Equivalents.

(f) *Repricing.* Notwithstanding anything herein to the contrary, except in connection with a corporate transaction involving Axogen (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of options and stock appreciation rights granted under the Plan may not be amended, after the date of grant, to reduce the exercise price of such options or stock appreciation rights, nor may outstanding options or stock appreciation rights be canceled in exchange for (i) cash, (ii) options or stock appreciation rights with an exercise price or base price that is less than the exercise price or base price of the original outstanding options or stock appreciation rights, or (iii) other Awards, unless such action is approved by Axogen's stockholders.

(g) *Stock Awards.*

(i) *Grants.* The Administrator may from time to time grant to Eligible Individuals Awards of unrestricted Common Stock or Restricted Stock (collectively, "*Stock Awards*") on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as the Administrator shall determine. Stock Awards shall be evidenced in such manner as the Administrator may deem appropriate, including via book-entry registration.

(ii) *Vesting.* Restricted Stock shall be subject to such vesting, restrictions on transferability and other restrictions, if any, and/or risk of forfeiture as the Administrator may impose at the date of grant or thereafter. The Restriction Period to which such vesting, restrictions and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of Performance Goals, in such installments, or otherwise, as the Administrator may determine. Subject to the provisions of the Plan and the applicable Award Agreement, during the Restriction Period, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber shares of Restricted Stock.

(iii) *Rights of a Stockholder; Dividends.* Except to the extent restricted under the Award Agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder of Common Stock including, without limitation, the right to vote Restricted Stock. Cash dividends declared payable on Common Stock shall be paid, with respect to outstanding Restricted Stock, either shall be held by Axogen and made subject to forfeiture at least until achievement of the applicable time-based vesting condition or Performance Goal related to such shares of Restricted Stock and shall be paid in cash or as unrestricted shares of Common Stock having a Fair Market Value equal to the amount of such dividends or may be reinvested in additional shares of Restricted Stock as determined by the Administrator. Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Common Stock or other property has been distributed. As soon as is practicable following the date on which restrictions on any shares of Restricted Stock lapse, Axogen shall deliver to the Participant the certificates for such shares or shall cause the shares to be registered in the Participant's name in book-entry form, in either case with the restrictions removed, provided that the Participant shall have complied with all conditions for delivery of such shares contained in the Award Agreement or otherwise reasonably required by Axogen.

(iv) *Termination of Service.* Except as provided in the applicable Award Agreement, upon Termination of Service during the applicable Restriction Period, Restricted Stock and any accrued but unpaid dividends that are at that time subject to restrictions shall be forfeited; provided that, the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of Restricted Stock.

(v) *Additional Terms and Conditions.* The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Restricted Stock, *provided* they are not inconsistent with the Plan.

(h) *Stock Units.*

(i) *Grants.* The Administrator may from time to time grant to Eligible Individuals Awards of Restricted Stock Units on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as the Administrator shall determine. Restricted Stock Units represent a contractual obligation by Axogen to deliver a number of shares of Common Stock, an amount in cash equal to the Fair Market Value of the specified number of shares subject to the Award, or a combination of shares of Common Stock and cash, in accordance with the terms and conditions set forth in the Plan and any applicable Award Agreement.

(ii) *Vesting and Payment.* Restricted Stock Units shall be subject to such vesting, risk of forfeiture and/or payment provisions as the Administrator may impose at the date of grant. The Restriction Period to which such vesting and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of Performance Goals, in such installments, or otherwise, as the Administrator may determine. Shares of Common Stock, cash or a combination of shares of Common Stock and cash, as applicable, payable in settlement of Restricted Stock Units shall be delivered to the Participant as soon as administratively practicable, but no later than 30 days, after the date on which payment is due under the terms of the Award Agreement *provided* that the Participant shall have complied with all conditions for delivery of such shares or payment contained in the Award Agreement or otherwise reasonably required by Axogen, or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.

(iii) *No Rights of a Stockholder; Dividend Equivalents.* Until shares of Common Stock are issued to the Participant in settlement of stock Units, the Participant shall not have any rights of a stockholder of Axogen with respect to the stock Units or the shares issuable thereunder. The Administrator may grant to the Participant the right to receive Dividend Equivalents on stock Units which shall be accrued and be accrued and made subject to forfeiture at least until achievement of the applicable time-based vesting condition or Performance Goal related to such stock Units.

(iv) *Termination of Service.* Upon Termination of Service during the applicable deferral period or portion thereof to which such Restricted Stock Units relate, all Restricted Stock Units and any accrued but unpaid Dividend Equivalents with respect to such Restricted Stock Units that are then subject to deferral or restriction shall be forfeited; *provided that*, the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock Units will be waived in whole or in part in the event of termination resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of Restricted Stock Units.

(v) *Additional Terms and Conditions.* The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock Units, *provided* they are not inconsistent with the Plan.

(i) *Performance Shares and Performance Units.*

(i) *Grants.* The Administrator may from time to time grant to Eligible Individuals Awards in the form of Performance Shares and Performance Units. Performance Shares, as that term is used in this Plan, shall refer to shares of Common Stock or Units that are expressed in terms of Common Stock, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period. Performance Units, as that term is used in this Plan, shall refer to dollar-denominated Units valued by reference to designated criteria established by the Administrator, other than Common Stock, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period. The applicable Award Agreement shall specify whether Performance Shares and Performance Units will be

settled or paid in cash or shares of Common Stock or a combination of both, or shall reserve to the Administrator or the Participant the right to make that determination prior to or at the payment or settlement date.

(ii) *Performance Criteria.* The Administrator shall, prior to or at the time of grant, condition the grant, vesting or payment of, or lapse of restrictions on, an Award of Performance Shares or Performance Units upon (A) the attainment of Performance Goals during a Performance Period or (B) the attainment of Performance Goals and the continued service of the Participant. The length of the Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained shall be conclusively determined by the Administrator in the exercise of its absolute discretion. Performance Goals may include minimum, maximum and target levels of performance, with the size of the Award or payout of Performance Shares or Performance Units or the vesting or lapse of restrictions with respect thereto based on the level attained. An Award of Performance Shares or Performance Units shall be settled as and when the Award vests or at a later time specified in the Award Agreement or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.

(iii) *Additional Terms and Conditions.* The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Performance Shares or Performance Units, *provided* they are not inconsistent with the Plan.

(iv) *Rights of a Stockholder; Dividends.* Until shares of Common Stock are issued to the Participant in settlement of Performance Units, the Participant shall not have any rights of a stockholder of Axogen with respect to the Performance Units or the shares issuable thereunder. The Administrator may grant to the Participant the right to receive Dividend Equivalents on stock Units which shall be held by Axogen and made subject to forfeiture at least until achievement of the applicable time-based vesting condition related to such Unit. Except to the extent restricted under the Award Agreement relating to the Performance Shares, a Participant granted Performance Shares shall have all of the rights of a stockholder of Common Stock including, without limitation, the right to vote Performance Shares. Dividends declared payable on Performance Shares shall be held by Axogen and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such Performance Shares. Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Performance Shares with respect to which such Common Stock or other property has been distributed. As soon as is practicable following the date on which restrictions on any Performance Shares lapse, Axogen shall deliver to the Participant the certificates for such shares or shall cause the shares to be registered in the Participant's name in book-entry form, in either case with the restrictions removed, provided that the Participant shall have complied with all conditions for delivery of such shares contained in the Award Agreement or otherwise reasonably required by Axogen.

(j) *Other Stock-Based Awards.* The Administrator may from time to time grant to Eligible Individuals Awards in the form of Other Stock-Based Awards. Dividend Equivalents payable on Other-Stock Based Awards shall be accrued and made subject to forfeiture at least until achievement of the applicable time-based and/or Performance Goal related to such Other Stock-Based Awards. Any such settlements, and any such crediting of Dividend Equivalents, may be subject to such conditions, restrictions and contingencies as the Administrator shall establish.

(k) *Awards to Participants Outside the United States.* The Administrator may grant Awards to Eligible Individuals who are foreign nationals, who are located outside the United States or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause Axogen or a Subsidiary to be subject to) tax, legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable in order that any such Award shall conform to laws, regulations, and customs of the country or jurisdiction in which the Participant is then resident or primarily employed or to foster and promote achievement of the purposes of the Plan.

(l) *Limitation on Dividend Reinvestment and Dividend Equivalents*. Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of shares of Common Stock with respect to dividends to Participants holding Awards of stock Units, shall only be permissible if sufficient shares are available under the Share Pool for such reinvestment or payment (taking into account then outstanding Awards). In the event that sufficient shares are not available under the Share Pool for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of stock Units equal in number to the shares of Common Stock that would have been obtained by such payment or reinvestment, the terms of which stock Units shall provide for settlement in cash and for Dividend Equivalent reinvestment in further stock Units on the terms contemplated by this Section 7(l).

8. Withholding of Taxes.

Participants and holders of Awards shall pay to Axogen or its Affiliate, or make arrangements satisfactory to the Administrator for payment of, any Tax Withholding Obligation in respect of Awards granted under the Plan no later than the date of the event creating the tax or social insurance contribution liability. The obligations of Axogen under the Plan shall be conditional on such payment or arrangements. Unless otherwise determined by the Administrator, Tax Withholding Obligations may be settled in whole or in part with shares of Common Stock, including unrestricted outstanding shares surrendered to Axogen and unrestricted shares that are part of the Award that gives rise to the Tax Withholding Obligation, having a Fair Market Value on the date of surrender or withholding amount to be withheld for tax or social insurance contribution purposes, all in accordance with such procedures as the Administrator establishes. Axogen or its Affiliate may deduct, to the extent permitted by law, any such Tax Withholding Obligations from any payment of any kind otherwise due to the Participant or holder of an Award.

9. Transferability of Awards.

(a) *General Nontransferability Absent Administrator Permission*. Except as otherwise determined by the Administrator, and in any event in the case of an Incentive Stock Option or a tandem stock appreciation right granted with respect to an Incentive Stock Option, no Award granted under the Plan shall be transferable by a Participant otherwise than by will or the laws of descent and distribution. The Administrator shall not permit any transfer of an Award for value. An Award may be exercised during the lifetime of the Participant, only by the Participant or, during the period the Participant is under a legal disability, by the Participant's guardian or legal representative, unless otherwise determined by the Administrator. Awards granted under the Plan shall not be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except as otherwise determined by the Administrator; *provided, however*, that the restrictions in this sentence shall not apply to the shares of Common Stock received in connection with an Award after the date that the restrictions on transferability of such shares set forth in the applicable Award Agreement have lapsed. Nothing in this paragraph shall be interpreted or construed as overriding the terms of any Axogen stock ownership or retention policy, now or hereafter existing, that may apply to the Participant or shares of Common Stock received under an Award.

(b) *Administrator Discretion to Permit Transfers Other Than For Value*. Except as otherwise restricted by applicable law, the Administrator may, but need not, permit an Award, other than an Incentive Stock Option or a tandem stock appreciation right granted with respect to an Incentive Stock Option, to be transferred to a Participant's Family Member (as defined below) as a gift or pursuant to a domestic relations order in settlement of marital property rights. The Administrator shall not permit any transfer of an Award for value. For purposes of this Section 9, "Family Member" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent (50%) of the voting interests. The following transactions are not prohibited transfers for value: (i) a transfer under a domestic relations order in settlement of marital property rights; and (ii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity.

10. Adjustments for Corporate Transactions and Other Events.

(a) *Mandatory Adjustments.* In the event of a merger, consolidation, stock rights offering, statutory share exchange or similar event affecting Axogen (each, a “*Corporate Event*”) or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, or recapitalization or similar event affecting the capital structure of Axogen (each, a “*Share Change*”) that occurs at any time after adoption of this Plan by the Board (including any such Corporate Event or Share Change that occurs after such adoption and coincident with or prior to the Effective Date), the Administrator shall make equitable and appropriate substitutions or proportionate adjustments to (i) the aggregate number and kind of shares of Common Stock or other securities on which Awards under the Plan may be granted to Eligible Individuals, (ii) the maximum number of shares of Common Stock or other securities with respect to which Awards may be granted during any one calendar year to any individual, (iii) the maximum number of shares of Common Stock or other securities that may be issued with respect to Incentive Stock Options granted under the Plan, (iv) the number of shares of Common Stock or other securities covered by each outstanding Award and the exercise price, base price or other price per share, if any, and other relevant terms of each outstanding Award, and (v) all other numerical limitations relating to Awards, whether contained in this Plan or in Award Agreements; *provided, however,* that any fractional shares resulting from any such adjustment shall be eliminated.

(b) *Discretionary Adjustments.* In the case of Corporate Events, the Administrator may make such other adjustments to outstanding Awards as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding Awards in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Administrator in its sole discretion (it being understood that in the case of a Corporate Event with respect to which stockholders of Axogen receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of a stock option or stock appreciation right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each share of Common Stock pursuant to such Corporate Event over the exercise price or base price of such stock option or stock appreciation right shall conclusively be deemed valid and that any stock option or stock appreciation right may be cancelled for no consideration upon a Corporate Event if its exercise price or base price equals or exceeds the value of the consideration being paid for each share of Common Stock pursuant to such Corporate Event), (ii) the substitution of securities or other property (including, without limitation, cash or other securities of Axogen and securities of entities other than Axogen) for the shares of Common Stock subject to outstanding Awards, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof (“*Substitute Awards*”).

(c) *Adjustments to Performance Goals.* The Administrator may, in its discretion, adjust the Performance Goals applicable to any Awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in Axogen’s consolidated financial statements, notes to the consolidated financial statements, management’s discussion and analysis or other Axogen filings with the Securities and Exchange Commission. If the Administrator determines that a change in the business, operations, corporate structure or capital structure of Axogen or the applicable subsidiary, business segment or other operational unit of Axogen or any such entity or segment, or the manner in which any of the foregoing conducts its business, or other events or circumstances, render the Performance Goals to be unsuitable, the Administrator may modify such Performance Goals or the related minimum acceptable level of achievement, in whole or in part, as the Administrator deems appropriate and equitable.

(d) *Statutory Requirements Affecting Adjustments.* Notwithstanding the foregoing: (A) any adjustments made pursuant to Section 10 to Awards that are considered “deferred compensation” within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (B) any adjustments made pursuant to Section 10 to Awards that are not considered “deferred compensation” subject to Section 409A of the Code shall be made in such a manner as to ensure that after such

adjustment, the Awards either (1) continue not to be subject to Section 409A of the Code or (2) comply with the requirements of Section 409A of the Code; (C) in any event, the Administrator shall not have the authority to make any adjustments pursuant to Section 10 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the date of grant to be subject thereto; and (D) any adjustments made pursuant to Section 10 to Awards that are Incentive Stock Options shall be made in compliance with the requirements of Section 424(a) of the Code.

(e) *Dissolution or Liquidation.* Unless the Administrator determines otherwise, all Awards outstanding under the Plan shall terminate upon the dissolution or liquidation of Axogen.

11. Change in Control Provisions.

(a) *Termination of Awards.* Notwithstanding the provisions of Section 11(b), in the event that any transaction resulting in a Change in Control occurs, outstanding Awards will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Awards by, or for the issuance therefor of Substitute Awards of, the surviving or successor entity or a parent thereof. Solely with respect to Awards that will terminate as a result of the immediately preceding sentence and except as otherwise provided in the applicable Award Agreement:

(i) the outstanding Awards of stock options and stock appreciation rights that will terminate upon the effective time of the Change in Control shall, immediately before the effective time of the Change in Control, become fully exercisable and the holders of such Awards will be permitted, immediately before the Change in Control, to exercise the Awards;

(ii) the outstanding shares of Restricted Stock the vesting or restrictions on which are then solely time-based and not subject to achievement of Performance Goals shall, immediately before the effective time of the Change in Control, become fully vested, free of all transfer and lapse restrictions and free of all risks of forfeiture;

(iii) the outstanding shares of Restricted Stock the vesting or restrictions on which are then subject to and pending achievement of Performance Goals shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting or lapsing of restrictions in a greater amount upon the occurrence of a Change in Control, become vested, free of transfer and lapse restrictions and risks of forfeiture in such amounts as if the applicable Performance Goals for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement;

(iv) the outstanding Restricted Stock Units, Performance Shares and Performance Units the vesting, earning or settlement of which is then solely time-based and not subject to or pending achievement of Performance Goals shall, immediately before the effective time of the Change in Control, become fully earned and vested and shall be settled in cash or shares of Common Stock (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code; and

(v) the outstanding Restricted Stock Units, Performance Shares and Performance Units the vesting, earning or settlement of which is then subject to and pending achievement of Performance Goals shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting, earning or settlement in a greater amount upon the occurrence of a Change in Control, become vested and earned in such amounts as if the applicable Performance Goals for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement and shall be settled in cash or shares of Common Stock (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code.

Implementation of the provisions of this Section 11(a) shall be conditioned upon consummation of the Change in Control.

(b) *Continuation, Assumption or Substitution of Awards*. The Administrator may specify, on or after the date of grant, in an award agreement or amendment thereto, the consequences of a Participant's Termination of Service that occurs coincident with or following the occurrence of a Change in Control, if a Change in Control occurs under which provision is made in connection with the transaction for the continuation or assumption of outstanding Awards by, or for the issuance therefor of Substitute Awards of, the surviving or successor entity or a parent thereof.

(c) *Other Permitted Actions*. In the event that any transaction resulting in a Change in Control occurs, the Administrator may take any of the actions set forth in Section 10 with respect to any or all Awards granted under the Plan.

(d) *Section 409A Savings Clause*. Notwithstanding the foregoing, if any Award is considered to be a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, this Section 11 shall apply to such Award only to the extent that its application would not result in the imposition of any tax or interest or the inclusion of any amount in income under Section 409A of the Code.

12. Substitution of Awards in Mergers and Acquisitions.

Awards may be granted under the Plan from time to time in substitution for assumed awards held by employees, officers, consultants or directors of entities who become employees, officers, consultants or directors of Axogen or a Subsidiary as the result of a merger or consolidation of the entity for which they perform services with Axogen or a Subsidiary, or the acquisition by Axogen of the assets or stock of the such entity. The terms and conditions of any Awards so granted may vary from the terms and conditions set forth herein to the extent that the Administrator deems appropriate at the time of grant to conform the Awards to the provisions of the assumed awards for which they are substituted and to preserve their intrinsic value as of the date of the merger, consolidation or acquisition transaction. To the extent permitted by applicable law and marketplace or listing rules of the primary securities market or exchange on which the Common Stock is listed or admitted for trading, any available shares under a stockholder-approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards granted pursuant to this Section 12 and, upon such grant, shall not reduce the Share Pool.

13. Compliance with Securities Laws; Listing and Registration.

(a) The obligation of Axogen to sell or deliver Common Stock with respect to any Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal, state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Administrator. If at any time the Administrator determines that the delivery of Common Stock under the Plan is or may be unlawful under the laws of any applicable jurisdiction, or Federal, state or foreign (non-United States) securities laws, the right to exercise an Award or receive shares of Common Stock pursuant to an Award shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Common Stock under the Plan would or may violate the rules of any exchange on which Axogen's securities are then listed for trade, the right to exercise an Award or receive shares of Common Stock pursuant to an Award shall be suspended until the Administrator determines that such delivery would not violate such rules. If the Administrator determines that the exercise or nonforfeiture of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any stock exchange upon which any of Axogen's equity securities are listed, then the Administrator may postpone any such exercise, nonforfeiture or delivery, as applicable, but Axogen shall use all reasonable efforts to cause such exercise, nonforfeiture or delivery to comply with all such provisions at the earliest practicable date.

(b) Each Award is subject to the requirement that, if at any time the Administrator determines, in its absolute discretion, that the listing, registration or qualification of Common Stock issuable pursuant to the Plan is required by any securities exchange or under any state, federal or foreign (non-United States) law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Common Stock, no such Award shall be granted or payment made or

Common Stock issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Administrator.

(c) In the event that the disposition of Common Stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended (the "*Securities Act*"), and is not otherwise exempt from such registration, such Common Stock shall be restricted against transfer to the extent required by the Securities Act or regulations thereunder, and the Administrator may require a person receiving Common Stock pursuant to the Plan, as a condition precedent to receipt of such Common Stock, to represent to Axogen in writing that the Common Stock acquired by such person is acquired for investment only and not with a view to distribution and that such person will not dispose of the Common Stock so acquired in violation of Federal, state or foreign securities laws and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company to issue the Common Stock in compliance with applicable Federal, state or foreign securities laws.

14. Section 409A Compliance.

It is the intention of Axogen that any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code shall comply in all respects with the requirements of Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code, and the terms of each such Award shall be construed, administered and deemed amended, if applicable, in a manner consistent with this intention. Notwithstanding the foregoing, neither Axogen nor any of its Affiliates nor any of its or their directors, officers, employees, agents or other service providers will be liable for any taxes, penalties or interest imposed on any Participant or other person with respect to any amounts paid or payable (whether in cash, shares of Common Stock or other property) under any Award, including any taxes, penalties or interest imposed under or as a result of Section 409A of the Code. Any payments described in an Award that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. For purposes of any Award, each amount to be paid or benefit to be provided to a Participant that constitutes deferred compensation subject to Section 409A of the Code shall be construed as a separate identified payment for purposes of Section 409A of the Code. For purposes of Section 409A of the Code, the payment of Dividend Equivalents under any Award shall be construed as earnings and the time and form of payment of such Dividend Equivalents shall be treated separately from the time and form of payment of the underlying Award. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, any payments (whether in cash, shares of Common Stock or other property) to be made with respect to the Award that become payable on account of the Participant's separation from service, within the meaning of Section 409A of the Code, while the Participant is a "specified employee" (as determined in accordance with the uniform policy adopted by the Administrator with respect to all of the arrangements subject to Section 409A of the Code maintained by Axogen and its Affiliates) and which would otherwise be paid within six months after the Participant's separation from service shall be accumulated (without interest) and paid on the first day of the seventh month following the Participant's separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death. Notwithstanding anything in the Plan or an Award Agreement to the contrary, in no event shall the Administrator exercise its discretion to accelerate the payment or settlement of an Award where such payment or settlement constitutes deferred compensation within the meaning of Code section 409A unless, and solely to the extent that, such accelerated payment or settlement is permissible under Treasury Regulation section 1.409A-3(j)(4).

15. Plan Duration; Amendment and Discontinuance.

(a) *Plan Duration.* The Plan shall remain in effect, subject to the right of the Board or the Compensation Committee to amend or terminate the Plan at any time, until the earlier of (a) the earliest date as of which all Awards granted under the Plan have been satisfied in full or terminated and no shares of Common Stock approved for issuance under the Plan remain available to be granted under new Awards or (b) May 19, 2029. No Awards shall be granted under the Plan after such termination date. Subject to other applicable provisions of the Plan, all Awards made under the Plan on or before May 19, 2029, or such earlier termination of

the Plan, shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

(b) *Amendment and Discontinuance of the Plan*. The Board or the Compensation Committee may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of a Participant with respect to a previously granted Award without such Participant's consent, except such an amendment made to comply with applicable law or rule of any securities exchange or market on which the Common Stock is listed or admitted for trading or to prevent adverse tax or accounting consequences to Axogen or the Participant. Notwithstanding the foregoing, no such amendment shall be made without the approval of Axogen's stockholders to the extent such amendment would (A) materially increase the benefits accruing to Participants under the Plan, (B) materially increase the number of shares of Common Stock which may be issued under the Plan or to a Participant, (C) materially expand the eligibility for participation in the Plan, (D) eliminate or modify the prohibition set forth in Section 7(e) on repricing of stock options and stock appreciation rights, (E) lengthen the maximum term or lower the minimum exercise price or base price permitted for stock options and stock appreciation rights, or (F) modify the prohibition on the issuance of reload or replenishment options. Except as otherwise determined by the Board or Compensation Committee, termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

(c) *Amendment of Awards*. Subject to Section 7(e), the Administrator may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall materially impair the rights of any Participant with respect to an Award without the Participant's consent, except such an amendment made to cause the Plan or Award to comply with applicable law, applicable rule of any securities exchange on which the Common Stock is listed or admitted for trading, or to prevent adverse tax or accounting consequences for the Participant or the Company or any of its Affiliates. For purposes of the foregoing sentence, an amendment to an Award that results in a change in the tax consequences of the Award to the Participant shall not be considered to be a material impairment of the rights of the Participant and shall not require the Participant's consent.

16. General Provisions.

(a) *Non-Guarantee of Employment or Service*. Nothing in the Plan or in any Award Agreement thereunder shall confer any right on an individual to continue in the service of Axogen or any Affiliate or shall interfere in any way with the right of Axogen or any Affiliate to terminate such service at any time with or without cause or notice and whether or not such termination results in (i) the failure of any Award to vest or become payable; (ii) the forfeiture of any unvested or vested portion of any Award; and/or (iii) any other adverse effect on the individual's interests under any Award or the Plan. No person, even though deemed an Eligible Individual, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. To the extent that an Eligible Individual who is an employee of a Subsidiary receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that Axogen is the Participant's employer or that the Participant has an employment relationship with Axogen.

(b) *No Trust or Fund Created*. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Axogen and a Participant or any other person. To the extent that any Participant or other person acquires a right to receive payments from Axogen pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Axogen.

(c) *Status of Awards*. Awards shall be special incentive payments to the Participant and shall not be taken into account in computing the amount of salary or compensation of the Participant for purposes of determining any pension, retirement, death, severance or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance, severance or other employee benefit plan of Axogen or any Affiliate now or hereafter in effect under which the availability or amount of benefits is related to the level of compensation or (b) any agreement between (i) Axogen or any Affiliate and (ii) the Participant, except as such plan or agreement shall otherwise expressly provide.

(d) *Subsidiary Employees.* In the case of a grant of an Award to an Eligible Individual who provides services to any Subsidiary, Axogen may, if the Administrator so directs, issue or transfer the shares of Common Stock, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Administrator may specify, upon the condition or understanding that the Subsidiary will transfer the shares of Common Stock to the Eligible Individual in accordance with the terms of the Award specified by the Administrator pursuant to the provisions of the Plan. All shares of Common Stock underlying Awards that are forfeited or canceled after such issue or transfer of shares to the Subsidiary shall revert to Axogen.

(e) *Governing Law and Interpretation.* The validity, construction and effect of the Plan, of Award Agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Administrator relating to the Plan or such Award Agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with applicable United States federal laws and the laws of the State of Minnesota, without regard to its conflict of laws principles. The captions of the Plan are not part of the provisions hereof and shall have no force or effect. Except where the context otherwise requires: (i) the singular includes the plural and vice versa; (ii) a reference to one gender includes other genders; (iii) a reference to a person includes a natural person, partnership, corporation, association, governmental or local authority or agency or other entity; and (iv) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(f) *Use of English Language.* The Plan, each Award Agreement, and all other documents, notices and legal proceedings entered into, given or instituted pursuant to an Award shall be written in English, unless otherwise determined by the Administrator. If a Participant receives an Award Agreement, a copy of the Plan or any other documents related to an Award translated into a language other than English, and if the meaning of the translated version is different from the English version, the English version shall control.

(g) *Recovery of Amounts Paid.* Except as otherwise provided by the Administrator, Awards granted under the Plan shall be subject to any and all policies, guidelines, codes of conduct, or other agreement or arrangement adopted by the Board or Compensation Committee with respect to the recoupment, recovery or clawback of compensation (collectively, the "Recoupment Policy") and/or to any provisions set forth in the applicable Award Agreement under which Axogen may recover from current and former Participants any amounts paid or shares of Common Stock issued under an Award and any proceeds therefrom under such circumstances as the Administrator determines appropriate. The Administrator may apply the Recoupment Policy to Awards granted before the policy is adopted to the extent required by applicable law or rule of any securities exchange or market on which shares of Common Stock are listed or admitted for trading, as determined by the Administrator in its sole discretion.

17. Glossary.

Under this Plan, except where the context otherwise indicates, the following definitions apply:

"Administrator" means the Compensation Committee, or such other committee(s) or officer(s) duly appointed by the Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by the Board or the Compensation Committee; provided, however, that at any time the Board may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) or officer(s) to whom administrative authority has been delegated. With respect to any Award to which Section 16 of the Exchange Act applies, the Administrator shall consist of either the Board or a committee of the Board, which committee shall consist of two or more directors, each of whom is intended to be, to the extent required by Rule 16b-3 of the Exchange Act, a "non-employee director" as defined in Rule 16b-3 of the Exchange Act and an "independent director" to the extent required by the rules of the national securities exchange that is the principal trading market for the Common Stock; *provided*, that with respect to Awards made to a member of the Board who is not an employee of the Company, "Administrator" means the Board. Any member of the Administrator who does not meet the foregoing requirements shall abstain from any decision regarding an Award and shall not be considered a member of the Administrator to the extent required to comply with Rule 16b-3 of the Exchange Act.

"*Affiliate*" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Axogen or any successor to Axogen. For this purpose, "control" (including the correlative meanings of the terms "controlled by" and "under common control with") shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

"*Award*" means any stock option, stock appreciation right, stock award, stock unit, Performance Share, Performance Unit, and/or Other Stock-Based Award, whether granted under this Plan.

"*Award Agreement*" means the written document(s), including an electronic writing acceptable to the Administrator, and any notice, addendum or supplement thereto, memorializing the terms and conditions of an Award granted pursuant to the Plan and which shall incorporate the terms of the Plan.

"*Board*" means the Board of Directors of Axogen.

"*Cause*" means, with respect to a Participant, except as otherwise provided in the relevant Award Agreement (i) the Participant's plea of guilty or *nolo contendere* to, or conviction of, (A) a felony (or its equivalent in a non-United States jurisdiction) or (B) other conduct of a criminal nature that has or is likely to have a material adverse effect on the reputation or standing in the community of Axogen, any of its Affiliates or a successor to Axogen or an Affiliate, as determined by the Administrator in its sole discretion, or that legally prohibits the Participant from working for Axogen, any of its Subsidiaries or a successor to Axogen or a Subsidiary; (ii) a breach by the Participant of a regulatory rule that adversely affects the Participant's ability to perform the Participant's employment duties to Axogen, any of its Subsidiaries or a successor to Axogen or a Subsidiary, in any material respect; or (iii) the Participant's failure, in any material respect, to (A) perform the Participant's employment duties, (B) comply with the applicable policies of Axogen, or of its Subsidiaries, or a successor to Axogen or a Subsidiary, or (C) comply with covenants contained in any contract or Award Agreement to which the Participant is a party; *provided, however*, that the Participant shall be provided a written notice describing in reasonable detail the facts which are considered to give rise to a breach described in this clause (iii) and the Participant shall have 30 days following receipt of such written notice (the "*Cure Period*") during which the Participant may remedy the condition and, if so remedied, no Cause for Termination of Service shall exist.

"*Change in Control*" means the first of the following to occur: (i) a Change in Ownership of Axogen, (ii) a Change in Effective Control of Axogen, or (iii) a Change in the Ownership of Assets of Axogen, as described herein and construed in accordance with Code section 409A.

- (i) A "Change in Ownership of Axogen" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire, ownership of the capital stock of Axogen that, together with the stock held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the capital stock of Axogen. However, if any one Person is, or Persons Acting as a Group are, considered to own more than 50%, on a fully diluted basis, of the total fair market value or total voting power of the capital stock of Axogen, the acquisition of additional stock by the same Person or Persons Acting as a Group is not considered to cause a Change in Ownership of Axogen or to cause a Change in Effective Control of Axogen (as described below). An increase in the percentage of capital stock owned by any one Person, or Persons Acting as a Group, as a result of a transaction in which Axogen acquires its stock in exchange for property will be treated as an acquisition of stock.
- (ii) A "Change in Effective Control of Axogen" shall occur on the date either (A) a majority of members of Axogen's Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of Axogen's Board before the date of the appointment or election, or (B) any one Person, or Persons Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of Axogen possessing 50% or more of the total voting power of the stock of Axogen.
- (iii) A "Change in the Ownership of Assets of Axogen" shall occur on the date that any one

Person acquires, or Persons Acting as a Group acquire (or has or have acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons), assets from Axogen that have a total gross fair market value equal to or more than 51% of the total gross fair market value of all of the assets of Axogen immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of Axogen, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

The following rules of construction apply in interpreting the definition of Change in Control:

(A) A "Person" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than employee benefit plans sponsored or maintained by Axogen and by entities controlled by Axogen or an underwriter, initial purchaser or placement agent temporarily holding the capital stock of Axogen pursuant to a registered public offering.

(B) Persons will be considered to be Persons Acting as a Group (or Group) if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a Group with other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(C) A Change in Control shall not include a transfer to a related person as described in Code section 409A or a public offering of capital stock of Axogen.

(D) For purposes of the definition of Change in Control, Section 318(a) of the Code applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation §1.83-3(b) and (j)), the stock underlying the option is not treated as owned by the individual who holds the option.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor section, regulations and guidance.

"Common Stock" means shares of common stock of Axogen, par value \$0.01 per share, and any capital securities into which they are converted.

"Company" means Axogen, Inc. and its Subsidiaries, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Axogen.

"Compensation Committee" means the Compensation Committee of the Board.

"Dividend Equivalent" means a right, granted to a Participant, to receive cash, Common Stock, stock Units or other property equal in value to dividends paid with respect to a specified number of shares of Common Stock.

"Effective Date" means the date on which adoption of the Plan is approved by the stockholders of Axogen.

“Eligible Individuals” means (i) officers and employees of, and other individuals, including non-employee directors, who are natural persons providing bona fide services to or for, Axogen or any of its Subsidiaries, *provided* that such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for Axogen’s securities, and (ii) prospective officers, employees and service providers who have accepted offers of employment or other service relationship from Axogen or a Subsidiary.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto. Reference to any specific section of the Exchange Act shall be deemed to include such regulations and guidance issued thereunder, as well as any successor section, regulations and guidance.

“Fair Market Value” means, on a per share basis as of any date, unless otherwise determined by the Administrator:

(i) if the principal market for the Common Stock (as determined by the Administrator if the Common Stock is listed or admitted to trading on more than one exchange or market) is a national securities exchange or an established securities market, the official closing price per share of Common Stock for the regular market session on that date on the principal exchange or market on which the Common Stock is then listed or admitted to trading or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(ii) if the principal market for the Common Stock is not a national securities exchange or an established securities market, but the Common Stock is quoted by a national quotation system, the average of the highest bid and lowest asked prices for the Common Stock on that date as reported on a national quotation system or, if no prices are reported for that date, on the last preceding day on which prices were reported, all as reported by such source as the Administrator may select; or

(iii) if the Common Stock is neither listed or admitted to trading on a national securities exchange or an established securities market, nor quoted by a national quotation system, the value determined by the Administrator in good faith by the reasonable application of a reasonable valuation method, which method may, but need not, include taking into account an appraisal of the fair market value of the Common Stock conducted by a nationally recognized appraisal firm selected by the Administrator.

Notwithstanding the preceding, for foreign, federal, state and local income tax reporting purposes and for such other purposes as the Administrator deems appropriate, the Fair Market Value shall be determined by the Administrator in accordance with uniform and nondiscriminatory standards adopted by it from time to time.

“Incentive Stock Option” means any stock option that is designated, in the applicable Award Agreement or the resolutions of the Administrator under which the stock option is granted, as an “incentive stock option” within the meaning of Section 422 of the Code and otherwise meets the requirements to be an “incentive stock option” set forth in Section 422 of the Code.

“Non-Employee Director” means a member of the Board who is not an employee of Axogen, Inc. or any of its Affiliates.

“Nonqualified Option” means any stock option that is not an Incentive Stock Option.

“Other Stock-Based Award” means an Award of Common Stock or any other Award that is valued in whole or in part by reference to, or is otherwise based upon, shares of Common Stock, including without limitation Dividend Equivalents and convertible debentures.

“Participant” means an Eligible Individual to whom one or more Awards are or have been granted pursuant to the Plan and have not been fully settled or cancelled and, following the death of any such person, his successors, heirs, executors and administrators, as the case may be.

“*Performance Award*” means a Full Value Award, the grant, vesting, lapse of restrictions or settlement of which is conditioned upon the achievement of performance objectives over a specified Performance Period and includes, without limitation, Performance Shares and Performance Units.

“*Performance Goals*” means the performance goals established by the Administrator in connection with the grant of Awards based on Performance Metrics or other performance criteria selected by the Administrator.

“*Performance Period*” means that period established by the Administrator during which any Performance Goals specified by the Administrator with respect to such Award are to be measured.

“*Performance Metrics*” means criteria established by the Administrator relating to any of the following, as it may apply to an individual, one or more business units, divisions, or Affiliates, or on a company-wide basis, and in absolute terms, relative to a base period, or relative to the performance of one or more comparable companies, peer groups, or an index covering multiple companies:

(i) *Earnings or Profitability Metrics*: any derivative of revenue; earnings/loss (gross, operating, net, or adjusted); earnings/loss before interest and taxes (“EBIT”); earnings/loss before interest, taxes, depreciation and amortization (“EBITDA”); profit margins; operating margins; combined ratio; expense levels or ratios; *provided* that any of the foregoing metrics may be adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments or investment losses, early extinguishment of debt or stock-based compensation expense;

(ii) *Return Metrics*: any derivative of return on investment, assets, equity or capital (total or invested);

(iii) *Investment Metrics*: relative risk-adjusted investment performance; investment performance of assets under management;

(iv) *Cash Flow Metrics*: any derivative of operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per share; working capital;

(v) *Liquidity Metrics*: any derivative of debt leverage (including debt to capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios); and/or

(vi) *Stock Price and Equity Metrics*: any derivative of return on stockholders’ equity; total stockholder return; stock price; stock price appreciation; market capitalization; earnings/loss per share (basic or diluted) (before or after taxes).

The Administrator may also establish such other performance criteria as determined in its discretion.

“*Performance Shares*” means a grant of stock or stock Units the issuance, vesting or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period.

“*Performance Units*” means a grant of dollar-denominated Units the value, vesting or payment of which is contingent on performance against predetermined objectives over a specified Performance Period.

“*Plan*” means this Axogen, Inc. 2019 Long-Term Incentive Plan, as set forth herein and as it may be amended from time to time.

“*Restricted Stock*” means an Award of shares of Common Stock to a Participant that may be subject to certain transferability and other restrictions and to a risk of forfeiture (including by reason of not satisfying certain Performance Goals).

“*Restricted Stock Unit*” means a right granted to a Participant to receive shares of Common Stock or cash at the end of a specified deferral period, which right may be conditioned on the satisfaction of certain requirements (including the satisfaction of certain Performance Goals).

“*Restriction Period*” means, with respect to Full Value Awards, the period commencing on the date of grant of such Award to which vesting or transferability and other restrictions and a risk of forfeiture apply and ending upon the expiration of the applicable vesting conditions, transferability and other restrictions and lapse of risk of forfeiture and/or the achievement of the applicable Performance Goals.

“*Subsidiary*” means any corporation or other entity in an unbroken chain of corporations or other entities beginning with Axogen if each of the corporations or other entities, or group of commonly controlled corporations or other entities, other than the last corporation or other entity in the unbroken chain then owns stock or other equity interests possessing 50% or more of the total combined voting power of all classes of stock or other equity interests in one of the other corporations or other entities in such chain or otherwise has the power to direct the management and policies of the entity by contract or by means of appointing a majority of the members of the board or other body that controls the affairs of the entity; *provided, however*, that solely for purposes of determining whether a Participant has a Termination of Service that is a “separation from service” within the meaning of Section 409A of the Code or whether an Eligible Individual is eligible to be granted an Award that in the hands of such Eligible Individual would constitute a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code, a “Subsidiary” of a corporation or other entity means all other entities with which such corporation or other entity would be considered a single employer under Sections 414(b) or 414(c) of the Code.

“*Tax Withholding Obligation*” means any federal, state, local or foreign (non-United States) income, employment or other tax or social insurance contribution required by applicable law to be withheld in respect of Awards.

“*Termination of Service*” means the termination of the Participant’s employment or consultancy with, or performance of services for, Axogen and its Subsidiaries. Temporary absences from employment because of illness, vacation or leave of absence and transfers among Axogen and its Subsidiaries shall not be considered Terminations of Service. With respect to any Award that constitutes a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code, “Termination of Service” shall mean a “separation from service” as defined under Section 409A of the Code to the extent required by Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code. A Participant has a separation from service within the meaning of Section 409A of the Code if the Participant terminates employment with Axogen and all Subsidiaries for any reason. A Participant will generally be treated as having terminated employment with Axogen and all Subsidiaries as of a certain date if the Participant and the entity that employs the Participant reasonably anticipate that the Participant will perform no further services for Axogen or any Subsidiary after such date or that the level of bona fide services that the Participant will perform after such date (whether as an employee or an independent contractor) will permanently decrease to no more than 20 percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if the Participant has been providing services for fewer than 36 months); *provided, however*, that the employment relationship is treated as continuing while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of leave does not exceed six months or, if longer, so long as the Participant retains the right to reemployment with Axogen or any Subsidiary.

“*Total and Permanent Disability*” means, with respect to a Participant, except as otherwise provided in the relevant Award Agreement, that a Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant’s death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which the Participant participates and which conditions the right to receive benefits under such program on the Participant being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant’s death or result in

death. The Administrator shall have sole authority to determine whether a Participant has suffered a Total and Permanent Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant's condition.

"Unit" means a bookkeeping entry used by Axogen to record and account for the grant of the following types of Awards until such time as the Award is paid, cancelled, forfeited or terminated, as the case may be: stock units, Restricted Stock Units, Performance Units, and Performance Shares that are expressed in terms of units of Common Stock.

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AXOGEN, INC.

[PERFORMANCE-BASED] RESTRICTED STOCK UNITS NOTICE
UNDER THE
AXOGEN, INC.
2019 LONG-TERM INCENTIVE PLAN

Name of Grantee: _____

This Notice evidences the award of [performance based] restricted stock units (each, an "RSU,"¹ and collectively, the "RSUs") of Axogen, Inc., a Minnesota corporation (the "Company"), that have been granted to you pursuant to the Axogen, Inc. 2019 Long-Term Incentive Plan (the "Plan") and conditioned upon your agreement to the terms of the attached Restricted Stock Units Agreement (the "Agreement"). This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. Each RSU is equivalent in value to one share of the Company's Common Stock and represents the Company's commitment to issue one share of the Company's Common Stock at a future date, subject to the terms of the Agreement and the Plan. The RSUs are credited to a separate account maintained for you on the books and records of the Company (the "Account"). All amounts credited to the Account will continue for all purposes to be part of the general assets of the Company.

Grant Date: _____

Vesting Commencement Date: _____

Expiration Date: _____

Number of RSUs: _____

Vesting Schedule: All of the RSUs are nonvested and forfeitable as of the Grant Date. So long as your Service (as defined in the Agreement) is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, the RSUs shall vest as follows:

Axogen, Inc.

Date

I acknowledge that I have carefully read the Agreement and the prospectus for the Plan. I agree to be bound by all of the provisions set forth in those documents. I also consent to electronic delivery of all notices or other information with respect to the RSUs or the Company.

Signature of Grantee

Date

1 Form to be revised to refer to PSUs, as applicable.

AXOGEN, INC.

[PERFORMANCE-BASED] RESTRICTED STOCK UNITS AGREEMENT
UNDER THE
AXOGEN, INC.
2019 LONG-TERM INCENTIVE PLAN

1. Terminology. Unless otherwise provided in this Agreement, capitalized terms used herein are defined in the Glossary at the end of this Agreement.
2. Vesting. All of the RSUs are nonvested and forfeitable as of the Grant Date. So long as your Service is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, the RSUs will become vested and nonforfeitable in accordance with the vesting schedule set forth in the Notice. Except for the circumstances, if any, described in the Notice, none of the RSUs will become vested and nonforfeitable after your Service ceases.
3. Termination of Service. Unless otherwise provided in the Notice, if your Service with the Company ceases for any reason, all RSUs that are not then vested and nonforfeitable will be forfeited to the Company immediately and automatically upon such cessation without payment of any consideration therefor and you will have no further right, title or interest in or to such RSUs or the underlying shares of Common Stock.
4. Restrictions on Transfer. Except to the extent permitted under Section 9(b) of the Plan, neither this Agreement nor any of the RSUs may be assigned, transferred, pledged, hypothecated or disposed of in any way, whether by operation of law or otherwise, and the RSUs shall not be subject to execution, attachment or similar process. All rights with respect to this Agreement and the RSUs shall be exercisable during your lifetime only by you or your guardian or legal representative. Notwithstanding the foregoing, the RSUs may be transferred upon your death by last will and testament or under the laws of descent and distribution.
5. Settlement of RSUs.
 - (a) Manner of Settlement. You are not required to make any monetary payment (other than applicable tax withholding, if required) as a condition to settlement of the RSUs. The Company will issue to you, in settlement of your RSUs and subject to the provisions of Section 7 below, the number of whole shares of Common Stock that equals the number of whole RSUs that become vested, and such vested RSUs will terminate and cease to be outstanding upon such issuance of the shares. Upon issuance of such shares, the Company will determine the form of delivery (e.g., a stock certificate or electronic entry evidencing such shares) and may deliver such shares on your behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason.
 - (b) Timing of Settlement. Your RSUs will be settled by the Company, via the issuance of Common Stock as described herein, on the date that the RSUs become vested and nonforfeitable. However, if a scheduled issuance date falls on a Saturday, Sunday or federal

holiday, such issuance date shall instead fall on the next following day that the principal executive offices of the Company are open for business. Notwithstanding the foregoing, in the event that (i) you are subject to the Company's policy permitting officers and directors to sell shares only during certain "window" periods, in effect from time to time or you are otherwise prohibited from selling shares of the Company's Common Stock in the public market and any shares covered by your RSUs are scheduled to be issued on a day (the "**Original Distribution Date**") that does not occur during an open "window period" applicable to you, as determined by the Company in accordance with such policy, or does not occur on a date when you are otherwise permitted to sell shares of the Company's Common Stock in the open market, and (ii) the Company elects not to satisfy its tax withholding obligations by withholding shares from your distribution, then such shares shall not be issued and delivered on such Original Distribution Date and shall instead be issued and delivered on the first business day of the next occurring open "window period" applicable to you pursuant to such policy (regardless of whether you are still providing continuous services at such time) or the next business day when you are not prohibited from selling shares of the Company's Common Stock in the open market, but in no event later than the fifteenth day of the third calendar month of the calendar year following the calendar year in which the Original Distribution Date occurs. In all cases, the issuance and delivery of shares under this Agreement is intended to comply with Treasury Regulation 1.409A-1(b)(4) and shall be construed and administered in such a manner.

7. Tax Withholding. On or before the time you receive a distribution of the shares subject to your RSUs, or at any time thereafter as requested by the Company, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate which arise in connection with your RSUs (the "**Withholding Taxes**"). Additionally, the Company may, in its sole discretion, satisfy all or any portion of the Withholding Taxes obligation relating to your RSUs by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; (iii) permitting you to enter into a "same day sale" commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "**FINRA Dealer**") whereby you irrevocably elect to sell a portion of the shares to be delivered under the Agreement to satisfy the Withholding Taxes and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company; or (iv) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the RSUs with a Fair Market Value (measured as of the date shares of Common Stock are issued to you pursuant to Section) equal to the amount of such Withholding Taxes; provided, however, that the number of such shares of Common Stock so withheld shall not exceed, by more than the Fair Market Value of one share of Common Stock, the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income. Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to you any Common Stock. In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

8. Adjustments for Corporate Transactions and Other Events.

(a) Stock Dividend, Stock Split and Reverse Stock Split. Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of outstanding RSUs shall, without further action of the Administrator, be adjusted to reflect such event; provided, however, that any fractional RSUs resulting from any such adjustment shall be eliminated. Adjustments under this paragraph will be made by the Administrator, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive.

(b) Merger, Consolidation and Other Events. If the Company shall be the surviving or resulting corporation in any merger or consolidation and the Common Stock shall be converted into other securities, the RSUs shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to the RSUs would have been entitled. If the stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, securities of another entity or other property (including cash), then the rights of the Company under this Agreement shall inure to the benefit of the Company's successor, and this Agreement shall apply to the securities or other property (including cash) to which a holder of the number of shares of Common Stock subject to the RSUs would have been entitled, in the same manner and to the same extent as the RSUs.

9. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement shall alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between the Company and you, or as a contractual right of you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any nonvested and forfeitable RSUs or any other adverse effect on your interests under the Plan.

10. Rights as Stockholder. You shall not have any of the rights of a stockholder with respect to any shares of Common Stock that may be issued in settlement of the RSUs until such shares of Common Stock have been issued to you². No adjustment shall be made for dividends, distributions, or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 10 of the Plan and Section 5 of this Agreement.

11. The Company's Rights. The existence of the RSUs shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

² Note to Company: Dividend equivalent payment provision removed. Agreement provides that no dividends will be credited until after units vest/shares are issued. This is consistent with form of agreement under A&R 2006 equity plan.

12. Restrictions on Issuance of Shares. The issuance of shares of Common Stock upon settlement of the RSUs shall be subject to and in compliance with all applicable requirements of federal, state, or foreign law with respect to such securities. No shares of Common Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the RSUs shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the RSUs, the Company may require you to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

13. Notices. All notices and other communications made or given pursuant to this Agreement shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company, or in the case of notices delivered to the Company by you, addressed to the Administrator, care of the Company for the attention of its Secretary at its principal executive office or, in either case, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this award of RSUs by electronic means or to request your consent to participate in the Plan or accept this award of RSUs by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

14. Entire Agreement. This Agreement, together with the relevant Notice and the Plan, contain the entire agreement between the parties with respect to the RSUs granted hereunder. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the RSUs granted hereunder shall be void and ineffective for all purposes.

15. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the RSUs as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by each of the parties hereto.

16. 409A Savings Clause. This Agreement and the RSUs granted hereunder are intended to fit within the "short-term deferral" exemption from Section 409A of the Code as set forth in Treasury Regulation Section 1.409A-1(b)(4). In administering this Agreement, the Company shall interpret this Agreement in a manner consistent with such exemption. Notwithstanding the foregoing, if it is determined that the RSUs fail to satisfy the requirements of the short-term deferral rule and are otherwise deferred compensation subject to Section 409A, and if you are a "Specified Employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury

Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of additional taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a "separate payment" for purposes of Section 409A of the Code and Treasury Regulation Section 1.409A-2(b)(2). For purposes of Section 409A of the Code, the payment of dividend equivalents under Section 5 of this Agreement shall be construed as earnings and the time and form of payment of such dividend equivalents shall be treated separately from the time and form of payment of the underlying RSUs.

17. No Obligation to Minimize Taxes. The Company has no duty or obligation to minimize the tax consequences to you of this award of RSUs and shall not be liable to you for any adverse tax consequences to you arising in connection with this award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this award and by signing the Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so.

18. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

19. No Funding. This Agreement constitutes an unfunded and unsecured promise by the Company to issue shares of Common Stock in the future in accordance with its terms. You have the status of a general unsecured creditor of the Company as a result of receiving the grant of RSUs.

20. Effect on Other Employee Benefit Plans. The value of the RSUs subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating your benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

21. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Minnesota, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in the districts which include New Jersey, and you hereby agree and submit to the personal jurisdiction of any federal court located in the district which includes New Jersey or any state court in the district which includes New Jersey. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

22. Resolution of Disputes. Any dispute or disagreement which shall arise under, or

as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction, no legal action may be commenced or maintained relating to this Agreement more than twenty-four (24) months after the Administrator's decision.

23. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

24. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the RSUs, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

25. No Future Entitlement. By your signing the Notice, you acknowledge and agree that: (i) the grant of a restricted stock unit award is a one-time benefit which does not create any contractual or other right to receive future grants of restricted stock units, or compensation in lieu of restricted stock units, even if restricted stock units have been granted repeatedly in the past; (ii) all determinations with respect to any such future grants and the terms thereof will be at the sole discretion of the Committee; (iii) the value of the restricted stock units is an extraordinary item of compensation which is outside the scope of your employment contract, if any; (iv) the value of the restricted stock units is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension or retirement benefits; (v) the vesting of the restricted stock units ceases upon termination of Service with the Company or transfer of employment from the Company, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (vi) the Company does not guarantee any future value of the restricted stock units; and (vii) no claim or entitlement to compensation or damages arises if the restricted stock units decrease or do not increase in value and you irrevocably release the Company from any such claim that does arise.

26. Personal Data. For purposes of the implementation, administration and management of the restricted stock units or the effectuation of any acquisition, equity or debt financing, joint venture, merger, reorganization, consolidation, recapitalization, business combination, liquidation, dissolution, share exchange, sale of stock, sale of material assets or other similar corporate transaction involving the Company (a "**Corporate Transaction**"), you consent, by execution of the Notice, to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party

vendors or any potential party to a potential Corporate Transaction. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of the restricted stock units or the effectuation of a Corporate Transaction and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage the restricted stock units or effect a Corporate Transaction. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept a restricted stock unit award.

{Glossary begins on next page}

GLOSSARY

- (a) “**Administrator**” means the Board of Directors of Axogen, Inc. or such committee or committees appointed by the Board to administer the Plan.
- (b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with Axogen, Inc. (including but not limited to joint ventures, limited liability companies, and partnerships). For this purpose, “control” means ownership or more of the total combined voting power or value of all classes of stock or interests of the entity.
- (c) “**Agreement**” means this document, as amended from time to time, together with the Notice and the Plan which are incorporated herein by reference.
- (d) “**Change in Control**” has the meaning set forth in the Plan.
- (e) “**Code**” means the Internal Revenue Code of 1986, as amended, and the Treasury regulations and other guidance promulgated thereunder.
- (f) “**Common Stock**” means the common stock, US\$.01 par value per share, of Axogen, Inc.
- (g) “**Company**” means Axogen, Inc. and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Axogen, Inc.
- (h) “**Fair Market Value**” has the meaning set forth in the Plan. The Plan generally defines Fair Market Value to mean the closing price per share of Common Stock on the relevant date on the principal exchange or market on which the Common Stock is then listed or admitted to trading or, if no sale is reported for that date, the last preceding Business Day on which a sale was reported.³
- (i) “**Grant Date**” means the effective date of a grant of RSUs made to you as set forth in the relevant Notice.
- (j) “**Notice**” means the statement, letter or other written notification provided to you by the Company setting forth the terms of a grant of RSUs made to you.
- (k) “**Plan**” means the Axogen 2019 Long-Term Incentive Plan, as amended from time to time.
- (l) “**RSU**”⁴ means the Company’s commitment to issue one share of Common Stock at a future date, subject to the terms of the Agreement and the Plan.
- (m) “**Service**” means your employment, service as a non-executive director, or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger, or other

3 Note to Company: Company to confirm how FMV of shares for purposes of tax withholding is computed. Definition may need to be revised accordingly.

4 Note to Company: To be revised accordingly if performance based RSUs are issued.

corporate transaction, the trade, business, or entity with which you are employed or otherwise have a service relationship is not Axogen, Inc., or its successor or an Affiliate of Axogen, Inc. or its successor.

(n) “**You**” or “**Your**” means the recipient of the RSUs as reflected on the applicable Notice. Whenever the word “you” or “your” is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to the estate, personal representative, or beneficiary to whom the RSUs may be transferred by will or by the laws of descent and distribution, the words “you” and “your” shall be deemed to include such person.

{End of Agreement}

**AXOGEN, INC.
INCENTIVE STOCK OPTION NOTICE**

This Notice evidences the award of stock options (each, an “**Option**” or collectively, the “**Options**”) that have been granted to you, [NAME], subject to and conditioned upon your agreement to the terms of the attached Incentive Stock Option Agreement (the “**Agreement**”). The Options entitle you to purchase shares of common stock, par value \$0.01 per share (“**Common Stock**”), of Axogen, Inc., a Minnesota corporation (the “**Company**”), under the Axogen, Inc. 2019 Long-Term Incentive Plan (the “**Plan**”). The number of shares you may purchase and the exercise price at which you may purchase them are specified below. This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. **You must return an executed copy of this Notice to the Company within 30 days of the date hereof. If you fail to do so, the Options may be rendered null and void in the Company’s discretion.**

Grant Date: [GRANT DATE]

Vesting Commencement Date: [INSERT DATE]

Number of Options: [NUMBER] Options, each permitting the purchase of one Share

Exercise Price: \$[PRICE] per share

Expiration Date: The Options expire at 5:00 P.M. Eastern Time on the [10th] anniversary of the Grant Date (the “**Expiration Date**”), unless fully exercised or terminated earlier.

Exercisability Schedule: Subject to the terms and conditions described in the Agreement, the Options become exercisable in accordance with the schedule below:

The extent to which the Options are exercisable as of a particular date is rounded down to the nearest whole share. However, exercisability is rounded up to 100% on the [] anniversary of the Grant Date.

AXOGEN, INC.

By: _____

Date: _____

I acknowledge that I have carefully read the attached Agreement and the prospectus for the Plan and agree to be bound by all of the provisions set forth in these documents.

Enclosures: Incentive Stock Option Agreement
 Prospectus for the 2019 Long-Term Incentive
 Plan
 Exercise Form

OPTIONEE

Date: _____

INCENTIVE STOCK OPTION AGREEMENT
UNDER THE
AXOGEN, INC. 2019 LONG-TERM INCENTIVE PLAN

1 . Terminology. Capitalized terms used in this Agreement are defined in the correlating Stock Option Notice and/or the Glossary at the end of the Agreement.

2. Exercise of Options.

(a) Exercisability. The Options will become exercisable in accordance with the Exercisability Schedule set forth in the Stock Option Notice, so long as you are in the Service of the Company from the Grant Date through the applicable exercisability dates. None of the Options will become exercisable after your Service with the Company ceases, unless the Stock Option Notice provides otherwise with respect to exercisability that arises as a result of your cessation of Service.

(b) Right to Exercise. You may exercise the Options, to the extent exercisable, at any time on or before 5:00 P.M. Eastern Time on the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or federal, state or foreign securities laws, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the shares are then listed for trade, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such exercise or delivery would not violate such rules. Section 3 below describes certain limitations on exercise of the Options that apply in the event of your death, Total and Permanent Disability, or Termination of Service. The Options may be exercised only in multiples of whole Shares and may not be exercised at any one time as to fewer than one hundred Shares (or such lesser number of Shares as to which the Options are then exercisable). No fractional Shares will be issued under the Options.

(c) Exercise Procedure. In order to exercise the Options, you must provide the following items to the Secretary of the Company or his or her delegate before the expiration or termination of the Options:

- (i) notice, in such manner and form as the Administrator may require from time to time, specifying the number of Shares to be purchased under the Options; and
- (ii) full payment of the Exercise Price for the Shares or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 2(d) of this Agreement.

An exercise will not be effective until the Secretary of the Company or his or her delegate receives all of the foregoing items, and such exercise otherwise is permitted under and complies with all applicable federal, state and foreign securities laws. Notwithstanding the foregoing, if the Administrator permits payment by means of delivering properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-

assisted cashless exercise and such instructions provide for sale of Shares under a limit order rather than at the market, the exercise will not be effective until the earlier of the date the Company receives delivery of cash or cash equivalents in full payment of the Exercise Price or the date the Company receives confirmation from the broker that the sale instruction has been fulfilled, and the exercise will not be effective unless the earlier of such dates occurs on or before termination of the Options.

(d) Method of Payment. You may pay the Exercise Price by:

- (i) delivery of cash, certified or cashier's check, money order or other cash equivalent acceptable to the Administrator in its discretion;
- (ii) a broker-assisted cashless exercise in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator;
- (iii) subject to such limits as the Administrator may impose from time to time, tender (via actual delivery or attestation) to the Company of other shares of Common Stock of the Company which have a Fair Market Value on the date of tender equal to the Exercise Price;
- (iv) subject to such limits as the Administrator may impose from time to time, net share settlement with respect to any portions of the Options that do not qualify as incentive stock options within the meaning of Code section 422;
- (v) any other method approved by the Administrator; or
- (vi) any combination of the foregoing.

(e) Issuance of Shares upon Exercise. The Company shall issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate exercise price and the requisite withholding taxes, if any. Upon issuance of such Shares, the Company may deliver, subject to the provisions of Section 7 below, such Shares on your behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason, or may retain such Shares in uncertificated book-entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

3. Termination of Service.

(a) Termination of Unexercisable Options. If your Service with the Company ceases for any reason, the Options that are then unexercisable, after giving effect to any exercise acceleration provisions set forth on the Stock Option Notice, will terminate immediately upon such cessation.

(b) Exercise Period Following Termination of Service. If your Service with the Company ceases for any reason other than discharge for Cause, the Options that are then exercisable, after giving effect to any exercise acceleration provisions set forth on the Stock Option Notice, will terminate upon the earliest of:

- (i) the expiration of 90 days following such cessation, if your Service ceases on account of (1) your termination by the Company other than a discharge for Cause, or (2) your voluntary termination other than for Total and Permanent Disability or death;

- (ii) the expiration of 12 months following such cessation, if your Service ceases on account of your Total and Permanent Disability or death;
- (iii) the expiration of 12 months following your death, if your death occurs during the periods described in clauses (i) or (ii) of this Section 3(b), as applicable; or
- (iv) the Expiration Date.

In the event of your death, the exercisable Options may be exercised by your executor, personal representative, or the person(s) to whom the Options are transferred by will or the laws of descent and distribution.

(c) Misconduct. The Options will terminate in their entirety, regardless of whether the Options are then exercisable, immediately upon your discharge from Service for Cause, or upon your commission of any of the following acts during the exercise period following your Termination of Service: (i) fraud on or misappropriation of any funds or property of the Company, or (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company, as determined by the Administrator, which determination will be conclusive.

(d) Changes in Status. If you cease to be a "common law employee" of the Company but you continue to provide bona fide services to the Company following such cessation in a different capacity, including without limitation as a director, consultant or independent contractor, then a Termination of Service shall not be deemed to have occurred for purposes of this Section 3 upon such change in capacity. Notwithstanding the foregoing, the Options shall not be treated as incentive stock options within the meaning of Code section 422 with respect to any exercise that occurs more than three months after such cessation of the common law employee relationship (except as otherwise permitted under Code section 421 or 422). In the event that your Service is with a business, trade or entity that, after the Grant Date, ceases for any reason to be part or an Affiliate of the Company, your Service will be deemed to have terminated for purposes of this Section 3 upon such cessation if your Service does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

4 . Nontransferability of Options. These Options and, before exercise, the underlying Shares are nontransferable otherwise than by will or the laws of descent and distribution and during your lifetime, the Options may be exercised only by you or, during the period you are under a legal disability, by your guardian or legal representative. Except as provided above, the Options may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

5. Qualified Nature of the Options.

(a) General Status. The Options are intended to qualify as incentive stock options within the meaning of Code section 422 ("**Incentive Stock Options**"), to the fullest extent permitted by Code section 422, and this Agreement shall be so construed. The Company, however, does not warrant any particular tax consequences of the Options. Code section 422 provides limitations, not set forth in this Agreement, respecting the treatment of the Options as Incentive Stock Options. You should consult with your personal tax advisors in this regard.

(b) Code Section 422(d) Limitation. Pursuant to Code section 422(d), the aggregate fair market value (determined as of the Grant Date) of shares of Common Stock with respect to which all Incentive Stock Options first become exercisable by you in any calendar year under the Plan or any other plan of the Company (and its parent and subsidiary corporations, within the meaning of Code section 424(e) and (f), as may exist from time to time) may not exceed

\$100,000 or such other amount as may be permitted from time to time under Code section 422. To the extent that such aggregate fair market value exceeds \$100,000 or other applicable amount in any calendar year, such stock options will be treated as nonstatutory stock options with respect to the amount of aggregate fair market value thereof that exceeds the Code section 422(d) limit. For this purpose, the Incentive Stock Options will be taken into account in the order in which they were granted. In such case, the Company may designate the shares of Common Stock that are to be treated as stock acquired pursuant to the exercise of Incentive Stock Options and the shares of Common Stock that are to be treated as stock acquired pursuant to nonstatutory stock options by issuing separate certificates for such shares and identifying the certificates as such in the stock transfer records of the Company.

(c) Significant Stockholders. Notwithstanding anything in this Agreement or the Stock Option Notice to the contrary, if you own, directly or indirectly through attribution, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its subsidiaries (within the meaning of Code section 424(f)) on the Grant Date, then the Exercise Price is the greater of (a) the Exercise Price stated on the Stock Option Notice or (b) 110% of the Fair Market Value of the Common Stock on the Grant Date, and the Expiration Date is the last business day prior to the fifth anniversary of the Grant Date.

(d) Disqualifying Dispositions. If you make a disposition (as that term is defined in Code section 424(c)) of any Shares acquired pursuant to the Options within two years of the Grant Date or within one year after the Shares are transferred to you, you must notify the Company of such disposition in writing within 30 days of the disposition. The Administrator may, in its discretion, take reasonable steps to ensure notification of such dispositions, including but not limited to requiring that Shares acquired under the Options be held in an account with a Company-designated broker-dealer until they are sold.

6. Withholding of Taxes.

(a) At the time the Options are exercised, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll or any other payment of any kind due to you and otherwise agree to make adequate provision for foreign, federal, state and local taxes required by law to be withheld, if any, which arise in connection with the Options (including upon a disqualifying disposition within the meaning of Code section 421(b)). The Company may require you to make a cash payment to cover any withholding tax obligation as a condition of exercise of the Options or issuance of share certificates representing Shares.

(b) The Administrator may, in its sole discretion, permit you to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Options either by electing to have the Company withhold from the Shares to be issued upon exercise that number of Shares, or by electing to deliver to the Company already-owned shares, in either case having a Fair Market Value not in excess of the amount necessary to satisfy the statutory minimum withholding amount due.

7. Adjustments. The Administrator may make various adjustments to your Options, including adjustments to the number and type of securities subject to the Options and the Exercise Price, in accordance with the terms of the Plan. In the event of any transaction resulting in a Change in Control (as defined in the Plan) of the Company, the outstanding Options will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Options by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof. In the event of such termination, you will be permitted, immediately before the Change in Control, to exercise or convert all portions of such Options that are then exercisable or which become exercisable upon or prior to the effective time of the Change in Control.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or

this Agreement will alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between you and the Company, or as a contractual right for you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without Cause or notice and whether or not such discharge results in the failure of any of the Options to become exercisable or any other adverse effect on your interests under the Plan.

9 . No Rights as a Stockholder. You shall not have any of the rights of a stockholder with respect to the Shares until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued.

10 . The Company's Rights. The existence of the Options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

11 . Entire Agreement. This Agreement, together with the correlating Stock Option Notice and the Plan, contain the entire agreement between you and the Company with respect to the Options. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the Options shall be void and ineffective for all purposes.

12. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Options or Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by you and the Company.

13. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Any conflict between the terms of this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

14 . Section 409A. This Agreement and the Options granted hereunder are intended to comply with, or otherwise be exempt from, Section 409A of the Code. This Agreement and the Options shall be administered, interpreted and construed in a manner consistent with this intent. Nothing in the Plan or this Agreement shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Options. Should any provision of the Plan or this Agreement be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Administrator and without requiring your consent, in such manner as the Administrator determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee or warranty by the Company of any particular tax effect to you.

15. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further

acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

16. No Future Entitlement. By execution of the Notice, you acknowledge and agree that: (i) the grant of these Options is a one-time benefit which does not create any contractual or other right to receive future grants of stock options, or compensation in lieu of stock options, even if stock options have been granted repeatedly in the past; (ii) all determinations with respect to any such future grants, including, but not limited to, the times when stock options shall be granted or shall become exercisable, the maximum number of shares subject to each stock option, and the purchase price, will be at the sole discretion of the Administrator; (iii) the value of these Options is an extraordinary item of compensation which is outside the scope of your employment contract, if any; (iv) the value of these Options is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension or retirement benefits; (v) the vesting of these Options ceases upon termination of employment with the Company or transfer of employment from the Company, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (vi) if the underlying Common Stock does not increase in value, these Options will have no value, nor does the Company guarantee any future value; and (vii) no claim or entitlement to compensation or damages arises if these Options do not increase in value and you irrevocably release the Company from any such claim that does arise.

17. Personal Data. For the purpose of implementing, administering and managing these Options, you, by execution of the Notice, consent to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party vendors or any potential party to any Change in Control transaction or capital raising transaction involving the Company. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, exercised, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of these Options and the Plan and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage these Options. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept a stock option.

18. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Minnesota, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in New Jersey, and you hereby agree and submit to the personal jurisdiction of any federal or state court in New Jersey. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

19. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator

in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction, no legal action may be commenced or maintained relating to this Agreement more than twenty-four (24) months after the Administrator's decision.

20. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

{Glossary begins on next page}

GLOSSARY

- (a) “**Administrator**” means the Board or the committee(s) or officer(s) appointed by the Board that have authority to administer the Plan.
- (b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Axogen, Inc. For this purpose, “control” means ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.
- (c) “**Cause**” has the meaning ascribed to such term or words of similar import in your written employment or service contract with the Company as in effect at the time at issue and, in the absence of such agreement or definition, means your (i) conviction of, or plea of *nolo contendere* to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company, any affiliate, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses) or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with your duties or willful failure to perform your responsibilities in the best interests of the Company; (v) illegal use or distribution of drugs; (vi) violation of any Company rule, regulation, procedure or policy; or (vii) breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by you for the benefit of the Company, all as determined by the Administrator, which determination will be conclusive.
- (d) “**Change in Control**” has the meaning set forth in the Plan.
- (e) “**Code**” means the Internal Revenue Code of 1986, as amended.
- (f) “**Company**” includes Axogen, Inc. and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Axogen, Inc.
- (g) “**Fair Market Value**” of a share of Common Stock generally means either the closing price or the average of the high and low sale price per share of Common Stock on the relevant date, as determined in the Administrator’s discretion, as reported by the principal market or exchange upon which the Common Stock is listed or admitted for trade. Refer to the Plan for a detailed definition of Fair Market Value, including how Fair Market Value is determined in the event that no sale of Common Stock is reported on the relevant date.⁵
- (h) “**Service**” means your employment or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not the Company or its successor or an Affiliate of the Company or its successor.
- (i) “**Shares**” mean the shares of Common Stock underlying the Options.
- (j) “**Stock Option Notice**” means the written notice evidencing the award of the Options that correlates with and makes up a part of this Agreement.
- (k) “**Termination of Service**” has the meaning set forth in the Plan.

⁵ Note to Company: Confirm how FMV is computed for tax withholding purposes. This definition may need to be revised.

(l) "**Total and Permanent Disability**" has the meaning set forth in the Plan.

(m) "**You**"; "**Your**". "You" or "your" means the recipient of the award of Options as reflected on the Stock Option Notice. Whenever the Agreement refers to "you" under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to your estate, personal representative, or beneficiary to whom the Options may be transferred by will or by the laws of descent and distribution, the word "you" shall be deemed to include such person.

EXERCISE FORM

Administrator of 2019 Long-Term Incentive Plan
c/o Office of the Corporate Secretary
Axogen, Inc.
13631 Progress Blvd.
Suite 400
Alcachua, FL 32615

Gentlemen:

I hereby exercise the Options granted to me on _____, _____, by Axogen, Inc. (the "Company"), subject to all the terms and provisions of the applicable grant agreement and of the Axogen, Inc. 2019 Long-Term Incentive Plan, and notify you of my desire to purchase _____ shares of Common Stock of the Company at a price of \$ _____ per share pursuant to the exercise of said Options.

Total Amount Enclosed: \$ _____

Date: _____

(Optionee)

Received by AXOGEN, INC. on
_____, _____

By: _____

**AXOGEN, INC.
NONQUALIFIED STOCK OPTION NOTICE**

This Notice evidences the award of nonqualified stock options (each, an "**Option**" or collectively, the "**Options**") that have been granted to you, [_____], subject to and conditioned upon your agreement to the terms of the attached Nonqualified Stock Option Agreement (the "**Agreement**"). The Options entitle you to purchase shares of common stock, par value \$0.01 per share ("**Common Stock**"), of Axogen, Inc., a Minnesota corporation (the "**Company**"), under the Axogen, Inc. 2019 Long-Term Incentive Plan (the "**Plan**"). The number of shares you may purchase and the exercise price at which you may purchase them are specified below. This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. **You must return an executed copy of this Notice to the Company within 30 days of the date hereof. If you fail to do so, the Options may be rendered null and void in the Company's discretion.**

Grant Date: [GRANT DATE]

Vesting Commencement Date: [INSERT DATE]

Number of Options: [NUMBER] Options, each permitting the purchase of one Share

Exercise Price: \$[PRICE] per share

Expiration Date: The Options expire at 5:00 P.M. Eastern Time on the [_____] anniversary of the Grant Date (the "**Expiration Date**"), unless fully exercised or terminated earlier.

Exercisability Schedule: Subject to the terms and conditions described in the Agreement, the Options become exercisable in accordance with the schedule below:

The extent to which the Options are exercisable as of a particular date is rounded down to the nearest whole share. However, exercisability is rounded up to 100% on the [_____] anniversary of the Grant Date.

AXOGEN, INC.

By: _____

Date: _____

I acknowledge that I have carefully read the attached Agreement and the prospectus for the Plan and agree to be bound by all of the provisions set forth in these documents.

Enclosures: Nonqualified Stock Option Agreement
 Prospectus for the 2019 Long-Term Incentive
 Plan
 Exercise Form

OPTIONEE

Date: _____

NONQUALIFIED STOCK OPTION AGREEMENT

UNDER THE

AXOGEN, INC. 2019 LONG-TERM INCENTIVE PLAN

1. Terminology. Capitalized terms used in this Agreement are defined in the correlating Stock Option Notice and/or the Glossary at the end of the Agreement.

2. Exercise of Options.

(a) Exercisability. The Options will become vested and exercisable in accordance with the Vesting Schedule set forth in the Stock Option Notice, so long as you are in the Service of the Company from the Grant Date through the applicable vesting dates except as set forth in the Stock Option Notice.

(b) Right to Exercise. You may exercise the Options, to the extent exercisable, at any time on or before 5:00 P.M. Eastern Time on the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or federal, state or foreign securities laws, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the shares are then listed for trade, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such exercise or delivery would not violate such rules. Section 3 below describes certain limitations on exercise of the Options that apply in the event of your death, Total and Permanent Disability, or Termination of Service. The Options may be exercised only in multiples of whole Shares and may not be exercised at any one time as to fewer than one hundred Shares (or such lesser number of Shares as to which the Options are then exercisable). No fractional Shares will be issued under the Options.

(c) Exercise Procedure. In order to exercise the Options, you must provide the following items to the Secretary of the Company or his or her delegate before the expiration or termination of the Options:

- (i) notice, in such manner and form as the Administrator may require from time to time, specifying the number of Shares to be purchased under the Options;
- (ii) full payment of the Exercise Price for the Shares or properly executed, irrevocable instructions, in such manner

and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 2(d) of this Agreement; and

- (iii) full payment of applicable withholding taxes pursuant to Section 7 of this Agreement.

An exercise will not be effective until the Secretary of the Company or his or her delegate receives all of the foregoing items, and such exercise otherwise is permitted under and complies with all applicable federal, state and foreign securities laws. Notwithstanding the foregoing, if the Administrator permits payment by means of delivering properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise and such instructions provide for sale of Shares under a limit order rather than at the market, the exercise will not be effective until the earlier of the date the Company receives delivery of cash or cash equivalents in full payment of the Exercise Price or the date the Company receives confirmation from the broker that the sale instruction has been fulfilled, and the exercise will not be effective unless the earlier of such dates occurs on or before termination of the Options.

- (d) Method of Payment. You may pay the Exercise Price by:

- (i) delivery of cash, certified or cashier's check, money order or other cash equivalent acceptable to the Administrator in its discretion;
- (ii) a broker-assisted cashless exercise in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator;
- (iii) subject to such limits as the Administrator may impose from time to time, tender (via actual delivery or attestation) to the Company of other shares of Common Stock of the Company which have a Fair Market Value on the date of tender equal to the Exercise Price;
- (iv) subject to such limits as the Administrator may impose from time to time, net share settlement;
- (v) any other method approved by the Administrator; or
- (vi) any combination of the foregoing.

- (e) Issuance of Shares upon Exercise. The Company shall issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate exercise price and the requisite withholding taxes, if any. Upon issuance of such Shares, the Company may deliver, subject to the provisions of Section 7 below, such Shares on your behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the

Company may choose at its sole discretion, within reason, or may retain such Shares in uncertificated book-entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

3. Termination of Service.

(a) Termination of Unexercisable Options. If your Service with the Company ceases for any reason, the Options that are then unexercisable, subject to giving effect to the provisions set forth on the Stock Option Notice, will terminate immediately upon such cessation.

(b) Exercise Period Following Termination of Service. If your Service with the Company ceases for any reason other than discharge for Cause, the Options that are then exercisable, after giving effect to any exercise acceleration provisions set forth on the Stock Option Notice, will terminate upon the earliest of:

(i) the expiration of 90 days following such cessation, if your Service ceases on account of (1) your termination by the Company other than a discharge for Cause, or (2) your voluntary termination other than for Total and Permanent Disability or death;

(ii) the expiration of 12 months following such cessation, if your Service ceases on account of your Total and Permanent Disability or death;

(iii) the expiration of 12 months following your death, if your death occurs during the periods described in clauses (i) or (ii) of this Section 3(b), as applicable; or

(iv) the Expiration Date.

In the event of your death, the exercisable Options may be exercised by your executor, personal representative, or the person(s) to whom the Options are transferred by will or the laws of descent and distribution.

(c) Misconduct. The Options will terminate in their entirety, regardless of whether the Options are then exercisable, immediately upon your discharge from Service for Cause, or upon your commission of any of the following acts during the exercise period following your Termination of Service: (i) fraud on or misappropriation of any funds or property of the Company, or (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company, as determined by the Administrator, which determination will be conclusive.

(d) Change in Status. In the event that your Service is with a business, trade or entity that, after the Grant Date, ceases for any reason to be part or an Affiliate of

the Company, your Service will be deemed to have terminated for purposes of this Section 3 upon such cessation if your Service does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

4. Nontransferability of Options. Except to the extent permitted under Section 9(b) of the Plan, these Options and, before exercise, the underlying Shares are nontransferable otherwise than by will or the laws of descent and distribution and, during your lifetime, the Options may be exercised only by you or, during the period you are under a legal disability, by your guardian or legal representative. Except as provided above, the Options and, before exercise, the underlying Shares may not be assigned, transferred, pledged, hypothecated, subjected to any "put equivalent position," "call equivalent position" (as each preceding term is defined by Rule 16(a)-1 under the Securities Exchange Act of 1934), or short position, or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

5. Nonqualified Nature of the Options. The Options are not intended to qualify as incentive stock options within the meaning of Code section 422, and this Agreement shall be so construed. You hereby acknowledge that, upon exercise of the Options, you will recognize compensation income in an amount equal to the excess of the then Fair Market Value of the Shares over the Exercise Price and must comply with the provisions of Section 7 of this Agreement with respect to any tax withholding obligations that arise as a result of such exercise.

6. Withholding of Taxes.

(a) At the time the Options are exercised, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll or any other payment of any kind due to you and otherwise agree to make adequate provision for foreign, federal, state and local taxes required by law to be withheld, if any, which arise in connection with the Options. The Company may require you to make a cash payment to cover any withholding tax obligation as a condition of exercise of the Options or issuance of share certificates representing Shares.

(b) The Administrator may, in its sole discretion, permit you to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Options either by electing to have the Company withhold from the Shares to be issued upon exercise that number of Shares, or by electing to deliver to the Company already-owned shares, in either case having a Fair Market Value not in excess of the amount necessary to satisfy the statutory minimum withholding amount due.

7. Adjustments. The Administrator may make various adjustments to your Options, including adjustments to the number and type of securities subject to the Options and the Exercise Price, in accordance with the terms of the Plan. In the event of any transaction resulting in a Change in Control (as defined in the Plan) of the Company, the outstanding Options will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or

assumption of such Options by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof. In the event of such termination, you will be permitted, immediately before the Change in Control, to exercise or convert all portions of such Options that are then exercisable or which become exercisable upon or prior to the effective time of the Change in Control.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement will alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between you and the Company, or as a contractual right for you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without Cause or notice and whether or not such discharge results in the failure of any of the Options to become exercisable or any other adverse effect on your interests under the Plan.

9. No Rights as a Stockholder. You shall not have any of the rights of a stockholder with respect to the Shares until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued.

10. The Company's Rights. The existence of the Options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

11. Entire Agreement. This Agreement, together with the correlating Stock Option Notice and the Plan, contain the entire agreement between you and the Company with respect to the Options. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the Options shall be void and ineffective for all purposes.

12. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Options or Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by you and the Company.

13. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Any conflict between the terms of this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as

to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

14. Section 409A. This Agreement and the Options granted hereunder are intended to comply with, or otherwise be exempt from, Section 409A of the Code. This Agreement and the Options shall be administered, interpreted and construed in a manner consistent with this intent. Nothing in the Plan or this Agreement shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Options. Should any provision of the Plan or this Agreement be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Administrator and without requiring your consent, in such manner as the Administrator determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee or warranty by the Company of any particular tax effect to you.

15. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

16. No Future Entitlement. By execution of the Notice, you acknowledge and agree that: (i) the grant of these Options is a one-time benefit which does not create any contractual or other right to receive future grants of stock options, or compensation in lieu of stock options, even if stock options have been granted repeatedly in the past; (ii) all determinations with respect to any such future grants, including, but not limited to, the times when stock options shall be granted or shall become exercisable, the maximum number of shares subject to each stock option, and the purchase price, will be at the sole discretion of the Administrator; (iii) the value of these Options is an extraordinary item of compensation which is outside the scope of your employment contract, if any; (iv) the value of these Options is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension or retirement benefits; (v) the vesting of these Options ceases upon termination of employment with the Company or transfer of employment from the Company, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (vi) if the underlying Common Stock does not increase in value, these Options will have no value, nor does the Company guarantee any future value; and (vii) no claim or entitlement to compensation or damages arises if these Options do not increase in value and you irrevocably release the Company from any such claim that does arise.

17. Personal Data. For the purpose of implementing, administering and managing these Options, you, by execution of the Notice, consent to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party vendors or any potential party to any Change in Control transaction or capital raising transaction involving the Company. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, exercised, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of these Options and the Plan and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage these Options. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept a stock option.

18. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Minnesota, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in New Jersey, and you hereby agree and submit to the personal jurisdiction of any federal or state court in New Jersey. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

19. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction, no legal action may be commenced or maintained relating to this Agreement more than twenty-four (24) months after the Administrator's

decision.

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{Glossary begins on next page}

GLOSSARY

(a) “**Administrator**” means the Board or the committee(s) or officer(s) appointed by the Board that have authority to administer the Plan.

(b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Axogen, Inc. For this purpose, “control” means ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.

(c) “**Cause**” has the meaning ascribed to such term or words of similar import in your written employment or service contract with the Company as in effect at the time at issue and, in the absence of such agreement or definition, means your (i) conviction of, or plea of *nolo contendere* to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company, any affiliate, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses) or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with your duties or willful failure to perform your responsibilities in the best interests of the Company; (v) illegal use or distribution of drugs; (vi) violation of any Company rule, regulation, procedure or policy; or (vii) breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by you for the benefit of the Company, all as determined by the Administrator, which determination will be conclusive.

(d) “**Change in Control**” has the meaning set forth in the Plan.

(e) “**Code**” means the Internal Revenue Code of 1986, as amended.

(f) “**Company**” includes Axogen, Inc. and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Axogen, Inc.

(g) “**Fair Market Value**” of a share of Common Stock generally means either the closing price or the average of the high and low sale price per share of Common Stock on the relevant date, as determined in the Administrator’s discretion, as reported by the principal market or exchange upon which the Common Stock is listed or admitted for trade.⁶ Refer to the Plan for a detailed definition of Fair Market Value, including how Fair Market Value is determined in the event that no sale of Common Stock is reported on the relevant date.

(h) “**Service**” means your employment or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased

⁶ Note to Company: Confirm how FMV is computed for tax withholding purposes. This definition may need to be revised.

with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not the Company or its successor or an Affiliate of the Company or its successor.

(i) "**Shares**" mean the shares of Common Stock underlying the Options.

(j) "**Stock Option Notice**" means the written notice evidencing the award of the Options that correlates with and makes up a part of this Agreement.

(k) "**Termination of Service**" has the meaning set forth in the Plan.

(l) "**Total and Permanent Disability**" has the meaning set forth in the Plan.

(m) "**You**"; "**Your**". "You" or "your" means the recipient of the award of Options as reflected on the Stock Option Notice. Whenever the Agreement refers to "you" under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to your estate, personal representative, or beneficiary to whom the Options may be transferred by will or by the laws of descent and distribution, the word "you" shall be deemed to include such person.

EXERCISE FORM

Administrator of 2019 Long-Term Incentive Plan
c/o Office of the Corporate Secretary
Axogen, Inc.
13631 Progress Blvd.
Suite 400
Alcachua, FL 32615

Gentlemen:

I hereby exercise the Options granted to me on _____, _____, by Axogen, Inc. (the "Company"), subject to all the terms and provisions of the applicable grant agreement and of the Axogen, Inc. 2019 Long-Term Incentive Plan and notify you of my desire to purchase _____ shares of Common Stock of the Company at a price of \$ _____ per share pursuant to the exercise of said Options.

Total Amount Enclosed: \$ _____

Date: _____

(Optionee)

Received by Axogen, Inc. on

_____, ____

By: _____

**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 6, 2019

/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 6, 2019

/s/ Peter J. Mariani

Peter J. Mariani
Chief Financial Officer

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

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

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

Dated: November 6, 2019

/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)
