UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

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 NO. 001-36905

SeaSpine Holdings Corporation

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware **(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)**	**47-3251758** **(I.R.S. EMPLOYER IDENTIFICATION NO.)**

5770 Armada Drive, Carlsbad, CA 92008

(Address of principal executive offices) (zip code)

REGISTRANT’S TELEPHONE NUMBER, INCLUDING AREA CODE: (760) 727-8399

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	**SPNE**	**The Nasdaq Global Select 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 x No o

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 x No o

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	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	x
		Emerging growth company	o

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. o

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

The number of shares of the registrant’s common stock, $0.01 par value, outstanding as of August 2, 2021 was 36,398,390.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SEASPINE HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Total revenue, net	$ 47,463	$ 28,589	$ 89,417	$ 64,700
Cost of goods sold	17,482	11,659	32,848	25,471
Gross profit	29,981	16,930	56,569	39,229
Operating expenses:				
Selling and marketing	25,436	17,013	48,835	37,489
General and administrative	9,986	8,845	20,413	17,399
Research and development	4,850	3,974	9,356	7,869
Intangible amortization	843	792	1,635	1,584
Impairment of intangible assets	—	—	—	1,325
Total operating expenses	41,115	30,624	80,239	65,666
Operating loss	(11,134)	(13,694)	(23,670)	(26,437)
Other income, net	6,079	14	5,920	241
Loss before income taxes	(5,055)	(13,680)	(17,750)	(26,196)
Provision for income taxes	158	33	183	68
Net loss	$ (5,213)	$ (13,713)	$ (17,933)	$ (26,264)
Net loss per share, basic and diluted	$ (0.16)	$ (0.50)	$ (0.58)	$ (0.98)
Weighted average shares used to compute basic and diluted net loss per share	33,489	27,279	30,716	26,852

The accompanying notes are an integral part of these condensed consolidated financial statements.

SEASPINE HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (5,213)	$ (13,713)	$ (17,933)	$ (26,264)
Other comprehensive (loss) income				
Foreign currency translation adjustments	(3,070)	142	(3,427)	(22)
Unrealized (loss) gain on investments	—	(89)	—	101
Comprehensive loss	$ (8,283)	$ (13,660)	$ (21,360)	$ (26,185)

The accompanying notes are an integral part of these condensed consolidated financial statements.

SEASPINE HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except par value data)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 120,697	$ 76,813
Trade accounts receivable, net of allowances of $92 and $192	29,677	26,154
Inventories, net	65,515	54,041
Prepaid expenses and other current assets	4,273	3,884
Total current assets	220,162	160,892
Property, plant and equipment, net	38,905	31,422
Right of use assets	6,896	7,658
Intangible assets, net	57,015	13,883
Goodwill	73,845	—
Other assets	389	546
Total assets	$ 397,212	$ 214,401
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	16,721	5,006
Accrued compensation	8,190	8,198
Accrued commissions	9,125	8,199
Short-term debt	—	1,114
Short-term lease liability	2,174	2,147
Other accrued expenses and current liabilities	7,367	6,063
Total current liabilities	43,577	30,727
Long-term debt	—	5,059
Long-term lease liability	5,895	6,802
Deferred tax liability, net	9,495	—
Other liabilities	84	95
Total liabilities	59,051	42,683
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 15,000 authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020	—	—
Common stock, $0.01 par value; 60,000 authorized; 36,375 and 27,729 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	364	277
Additional paid-in capital	576,290	388,574
Accumulated other comprehensive (loss) income	(1,303)	2,124
Accumulated deficit	(237,190)	(219,257)
Total stockholders' equity	338,161	171,718
Total liabilities and stockholders' equity	$ 397,212	$ 214,401

The accompanying notes are an integral part of these condensed consolidated financial statements.

SEASPINE HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
OPERATING ACTIVITIES:		
Net loss	$ (17,933)	$ (26,264)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,880	5,216
Instrument replacement expense	1,645	930
Impairment of intangible assets	—	1,325
Impairment of spinal instruments	—	210
Provision for excess and obsolete inventories	2,237	2,976
Stock-based compensation	5,642	4,752
Gain on forgiveness of Paycheck Protection Program Loan	(6,173)	—
Other	(53)	59
Changes in assets and liabilities, net of the effects from acquisition:		
Accounts receivable	(1,164)	4,048
Inventories	(12,098)	(5,587)
Prepaid expenses and other current assets	417	2,417
Other non-current assets	247	(10)
Accounts payable	10,234	1,820
Accrued commissions	923	(1,487)
Other accrued expenses and current liabilities	(8)	(2,339)
Other non-current liabilities	113	(15)
Net cash used in operating activities	(10,091)	(11,949)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(11,317)	(4,463)
Additions to technology assets	(800)	(850)
Purchases of short-term investments	—	(25,007)
Acquisitions	(28,331)	—
Net cash used in investing activities	(40,448)	(30,320)
FINANCING ACTIVITIES:		
Borrowings under credit facility	20,000	—
Proceeds from Paycheck Protection Program Loan	—	7,173
Repayments of credit facility	(20,000)	—
Repayments of Paycheck Protection Program Loan	—	(1,000)
Proceeds from issuance of common stock- employee stock purchase plan	1,016	698
Proceeds from exercise of stock options	1,603	948
Proceeds from issuance of common stock, net of offering costs	94,531	91,622
Repurchases of common stock for income tax withheld upon vesting of restricted stock awards and restricted stock units	(2,544)	(1,898)
Payment of contingent royalty consideration liabilities in connection with acquisition of business	(23)	(72)
Net cash provided by financing activities	94,583	97,471
Effect of exchange rate changes on cash and cash equivalents	(160)	(55)
Net change in cash and cash equivalents	43,884	55,147
Cash and cash equivalents at beginning of period	76,813	20,199
Cash and cash equivalents at end of period	$ 120,697	$ 75,346
Supplemental cash flow information:		
Interest paid	$ 169	$ 78
Income taxes paid	$ 136	$ 105
Non-cash investing activities:		
Property and equipment in liabilities	$ 2,250	$ 3,167
Intangible assets in liabilities	$ 200	$ —
Non-cash financing activities:		
Issuance of common stock - Acquisition	$ 61,048	$ —
Exchangeable shares - Acquisition	$ 26,505	$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

SEASPINE HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(In thousands)

	Common Stock		Additional	Accumulated Other		Total
	Number of Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)	Accumulated Deficit	Stockholders' Equity
Balance December 31, 2020	27,729	$ 277	$ 388,574	$ 2,124	$ (219,257)	$ 171,718
Net loss	—	—	—	—	(12,720)	(12,720)
Foreign currency translation adjustment	—	—	—	(357)	—	(357)
Restricted stock issued	175	2	—	—	—	2
Issuance of common stock - exercise of stock options	44	—	496	—	—	496
Repurchases of common stock for income tax withheld upon vesting of restricted stock awards and restricted stock units	—	—	(2,418)	—	—	(2,418)
Stock-based compensation	—	—	2,546	—	—	2,546
Balance March 31, 2021	27,948	279	389,198	1,767	(231,977)	159,267
Net loss	—	—	—	—	(5,213)	(5,213)
Foreign currency translation adjustment	—	—	—	(3,070)	—	(3,070)
Restricted stock issued	71	1	(1)	—	—	—
Issuance of common stock under employee stock purchase plan	109	1	1,015	—	—	1,016
Issuance of common stock- Public Offering	5,175	52	94,479	—	—	94,531
Issuance of common stock- Acquisition	2,991	30	61,018	—	—	61,048
Issuance of common stock- Exchangeable Shares	—	—	26,505	—	—	26,505
Issuance of common stock- exercise of stock options	81	1	1,106	—	—	1,107
Repurchases of common stock for income tax withheld upon vesting of restricted stock awards and restricted stock units	—	—	(126)	—	—	(126)
Stock-based compensation	—	—	3,096	—	—	3,096
Balance June 30, 2021	36,375	364	576,290	(1,303)	(237,190)	338,161

	Common Stock		Additional	Accumulated Other		Total
	Number of Shares	Amount	Paid-In Capital	Comprehensive Income	Accumulated Deficit	Stockholders' Equity
Balance December 31, 2019	19,124	$ 191	$ 284,211	$ 1,434	$ (176,076)	$ 109,760
Net loss	—	—	—	—	(12,551)	(12,551)
Foreign currency translation adjustment	—	—	—	(164)	—	(164)
Unrealized gain on short-term investments	—	—	—	190	—	190
Restricted stock issued	213	2	—	—	—	2
Issuance of common stock - public offering	7,820	78	91,544	—	—	91,622
Issuance of common stock- exercise of stock options	80	1	901	—	—	902
Repurchases of common stock for income tax withheld upon vesting of restricted stock awards and restricted stock units	—	—	(1,855)	—	—	(1,855)
Stock-based compensation	—	—	1,983	—	—	1,983
Balance March 31, 2020	27,237	272	376,784	1,460	(188,627)	189,889
Net loss	—	—	—	—	(13,713)	(13,713)
Foreign currency translation adjustment	—	—	—	142	—	142
Unrealized loss on short-term investments	—	—	—	(89)	—	(89)
Restricted stock issued	79	1	(1)	—	—	—
Issuance of common stock under employee stock purchase plan	78	1	697	—	—	698
Issuance of common stock- exercise of stock options	5	—	46	—	—	46
Repurchases of common stock for income tax withheld upon vesting of restricted stock awards and restricted stock units	—	—	(43)	—	—	(43)
Stock-based compensation	—	—	2,769	—	—	2,769
Balance June 30, 2020	27,399	274	380,252	1,513	(202,340)	179,699

The accompanying notes are an integral part of these condensed consolidated financial statements.

SEASPINE HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND BASIS OF PRESENTATION

Business

SeaSpine Holdings Corporation was incorporated in Delaware on February 12, 2015. Unless the context indicates otherwise, references to "SeaSpine" or the "Company" refer to SeaSpine Holdings Corporation and its wholly-owned subsidiaries.

SeaSpine is a global medical technology company focused on the design, development and commercialization of surgical solutions for the treatment of patients suffering from spinal disorders. SeaSpine has a comprehensive portfolio of orthobiologics and spinal implant solutions, as well as a surgical navigation system, to meet the varying combinations of products that neurosurgeons and orthopedic spine surgeons need to perform fusion procedures in the lumbar, thoracic and cervical spine. The Company believes this broad combined portfolio of products is essential to meet the “complete solution” requirements of such surgeons.

Basis of Presentation and Principles of Consolidation

The Company prepared the unaudited interim condensed consolidated financial statements included in this report in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and the rules and regulations of the Securities and Exchange Commission (SEC) related to quarterly reports on Form 10-Q.

The Company’s financial statements are presented on a consolidated basis. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The unaudited interim condensed consolidated financial statements do not include all information and disclosures required by GAAP for annual audited financial statements and should be read with the Company’s consolidated financial statements and notes thereto for the year ended December 31, 2020 included in the Company’s Annual Report on Form 10-K filed with the SEC. In the opinion of management, the unaudited interim condensed consolidated financial statements included in this report have been prepared on the same basis as the Company's audited consolidated financial statements and include all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations, cash flows, and statement of equity for periods presented. The results for the three and six months ended June 30, 2021 are not necessarily indicative of the results expected for the full year. The condensed consolidated balance sheet as of December 31, 2020 was derived from the audited consolidated balance sheet for the year ended December 31, 2020. Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Under current SEC rules, generally, a company qualifies as a "smaller reporting company" if it has a public float of less than $250 million as of the last business day of its most recently completed second fiscal quarter. If a company qualifies as a smaller reporting company on that date, it may elect to reflect that determination and use the smaller reporting company scaled disclosure accommodations in its subsequent SEC filings until the beginning of the first quarter of the fiscal year following the date it determines it does not qualify as a smaller reporting company. The Company's public float as of June 30, 2020 was less than $250 million, and as such, the Company qualified as a smaller reporting company, elected to reflect that determination and intends to use certain of the scaled disclosure accommodations in its SEC filings made during and for the year ended December 31, 2021. The Company's public float as of June 30, 2021, the last business day of its most recent second fiscal quarter, was more than $250 million, and as such, the Company will no longer qualify as a smaller reporting company as of January 1, 2022. However, the Company is not required to reflect the change in its smaller reporting company status or comply with the non-scaled disclosure obligations until the Company’s first quarterly report on Form 10-Q for the three-month period ended March 31, 2022.

Concentration of Risk

On March 1, 2021, the Company and PcoMed, LLC (PcoMed) entered into a supply agreement (the Supply Agreement).

Pursuant to the Supply Agreement, PcoMed granted the Company a worldwide right to sell and commercialize any implantable spinal surgery interbody and/or intervertebral medical device designed and/or manufactured by or for the Company treated by PcoMed with certain proprietary PcoMed technology (Processed Parts) for use in spinal interbody and/or intervertebral surgical methods and procedures. The right is exclusive to the Company through January 14, 2022; thereafter, it will be non-exclusive. The Supply Agreement replaces and supersedes a prior supply agreement between the Company and PcoMed entered into in May 2013, which expired on January 15, 2021.

For the six months ending June 30, 2021 and 2020, the sales of products incorporating the NanoMetalene® technology provided under the Supply Agreement exceeded 10% of the Company's revenue.

Pursuant to the Supply Agreement, PcoMed will supply up to designated minimum amounts of Processed Parts per week and per month per the Company's request. In addition, if requested by the Company, PcoMed must use commercially reasonable efforts to supply Processed Parts in excess of those minimum amounts. The Company agreed to pay PcoMed (a) a low single digit royalty on a monthly basis on the Company's net sales of all Processed Parts, (b) a minimum processing fee for each contract year during the term of the Supply Agreement, payable in four equal quarterly installments, which offsets on a dollar-for-dollar basis the processing fees the Company would otherwise pay for Processed Parts each contract year and (c) additional processing fees payable monthly based on the number and type of Processed Parts supplied by PcoMed.

The Supply Agreement contains customary representations, warranties, covenants and indemnification obligations on the part of both parties. Each of the Company and PcoMed retain the rights to their respective intellectual property. The Supply Agreement may be terminated by the Company or PcoMed for cause in the event of an uncured material default or breach or a bankruptcy or similar proceeding. Unless terminated earlier pursuant to its terms, the term of the Supply Agreement is March 1, 2021 through January 14, 2024. During the term of the Supply Agreement, PcoMed agreed not to enter into any agreement or consummate any transaction with any third party relating to a change in control of PcoMed without first affording the Company, in accordance with the terms of the Supply Agreement, the opportunity to negotiate for the acquisition of PcoMed.

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. Cash balances are maintained primarily at major financial institutions in the United States and exceed the regulatory limit of $250,000 insured by the Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any credit losses associated with its cash balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Below is a summary of certain of the Company's significant accounting policies. For a comprehensive description of the Company's accounting policies, refer to the Annual Report on Form 10-K for the year ended December 31, 2020.

Use of Estimates

Preparing consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns and other credits, net realizable value of inventories, discount rates and estimated projected cash flows used to value and test impairments of identifiable intangible and long-lived assets, fair value estimates related to business combinations, assumptions related to the timing and probability of product launch dates, discount rates matched to the estimated timing of payments, probability of success rates and discount adjustments on the related cash flows for contingent considerations in business combinations, depreciation and amortization periods for identifiable intangible and long-lived assets, computation of taxes, valuation allowances recorded against deferred tax assets, the valuation of stock-based compensation and loss contingencies. These estimates are based on historical experience and on various other assumptions believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition, including revenues, expenses, manufacturing, research and development costs and employee-related compensation, will depend on future developments that are highly uncertain, including as a result of variants of the virus that causes COVID-19 or other information that may emerge concerning COVID-19 and the actions taken to contain or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets. The Company has made estimates of the impact of the pandemic within its financial statements and there may be changes to those estimates in future periods. Actual results may differ from these estimates.

Business Combinations

The purchase price of an acquisition is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets assumed, such excess is allocated to goodwill. The Company determines the estimated fair values after review and consideration of relevant information, including discounted cash flows, quoted market prices and estimates made by management. The Company records the net assets and results of operations of an acquired entity from the acquisition date impacting asset valuations and liabilities assumed. Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

Identifiable Intangible Assets

Upon acquisition, identifiable intangible assets are recorded at fair value and are carried at cost less accumulated amortization. Identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The carrying values of all intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Goodwill

Goodwill represents the excess of the purchase prices of an acquired business over the fair value of the underlying net tangible and intangible assets. The Company is required to assess goodwill and other indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The Company performs its annual impairment assessment in the fourth quarter of each year.

Recent Accounting Standards Not Yet Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU or Update) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires credit losses on most financial assets measured at amortized cost, including trade receivables, and certain other instruments to be measured using an expected credit loss model, referred to as the current expected credit loss (CECL) model. Under this model, entities will estimate credit losses over the entire contractual term of the instrument. The new standard will be effective for the Company beginning January 1, 2022. The FASB subsequently issued other related ASUs that amend ASU No. 2016-13 to provide clarification and additional guidance. The Company is evaluating the impact of this standard on its consolidated financial statements.

In April 2019, the FASB issued Update No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. This Update includes several amendments to the FASB Accounting Standards Codification (Codification) intended to clarify, improve, or correct errors therein. Some amendments do not require transition guidance and are effective upon issuance. The amendments requiring transition guidance have the same effective date as Update No. 2016-13 and will be effective for the Company beginning on January 1, 2022. The Company is evaluating the impact of this standard on its consolidated financial statements.

In May 2021, the FASB issued Update No. 2021-04, *Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40) Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. This Update addresses issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options. The new standard will be effective for the Company beginning January 1, 2022 and early adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

In July 2021, the FASB issued Update No. 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*. Under this standard, lessors will classify leases with variable payments that do not depend on an index or rate as operating leases if a different classification would result in a commencement date selling loss. The new standard will be effective for the Company beginning January 1, 2022 and early adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

Recently Adopted Accounting Standards

In August 2018, the FASB issued Update No. 2018-15, *Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40)*. The amendments in this Update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The new standard was effective for the Company beginning on January 1, 2021. The adoption of this new standard had no material impact on its consolidated financial statements.

In March 2020, the FASB issued Update No. 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The amendments in this Update apply only to contracts, hedging relationships, and other transactions that reference LIBOR, or another reference rate expected to be discontinued, due to the reference rate reform. The new standard was effective for the Company beginning March 12, 2020. The adoption of this new standard had no material impact on its consolidated financial statements.

Net Loss Per Share

Basic and diluted net loss per share was calculated using the weighted-average number of shares of common stock outstanding during the period. The weighted average number of shares used to compute diluted net loss per share excludes any assumed issuance of common stock upon exercise of stock options, any assumed issuance of common stock under restricted stock awards or units, and any assumed issuances under the Company's employee stock purchase plan, because the effect, in each case, would be antidilutive. Common stock equivalents, including the Exchangeable Shares (as defined below), of 6.5 million and 4.3 million shares for the six months ended June 30, 2021 and 2020, respectively, were excluded from the calculation because of their antidilutive effect.

3. BUSINESS ACQUISITION

7D Surgical Acquisition

On March 22, 2021, the Company entered into an arrangement agreement (the Arrangement Agreement) with 7D Surgical Inc., a corporation incorporated under the laws of the Province of Ontario (7D Surgical), Project Maple Leaf Acquisition ULC, an unlimited liability company incorporated under the laws of the Province of British Columbia and wholly owned subsidiary of the Company (Purchaser Sub), and Michael Cadotte and Joel Rose, as the 7D Surgical shareholders’ representatives.

On May 20, 2021, the acquisition contemplated by the Arrangement Agreement was consummated by way of a court-approved plan of arrangement under Ontario law (Plan of Arrangement) in which Purchaser Sub acquired all outstanding shares of 7D Surgical, including those 7D Surgical shares issuable upon exercise of outstanding options, and 7D Surgical became a wholly owned subsidiary of the Company (the Acquisition).

Pursuant to the Arrangement Agreement and the Plan of Arrangement, the Company acquired 7D Surgical for a total purchase price consisting of $27.5 million in cash (subject to adjustments as provided for in the Arrangement Agreement for 7D Surgical closing cash, working capital and net indebtedness), 2,991,054 shares of the Company’s common stock (the “Company Shares”) and 1,298,648 Exchangeable Shares (as defined below). Pursuant to the Arrangement Agreement, Canadian-resident 7D Surgical shareholders could elect to receive, in lieu of their portion of the Company Shares, an equivalent number of Class B common shares of Purchaser Sub (the “Exchangeable Shares”), which are exchangeable on a 1:1 basis for shares of the Company’s common stock, subject to customary adjustments. The Company may require all outstanding Exchangeable Shares to be exchanged upon the occurrence of certain events and at any time following the fifth anniversary of the closing date of the Acquisition. While outstanding, holders of Exchangeable Shares will be entitled to receive dividends economically equivalent to the dividends declared by the Company with respect to its common stock, but will not be entitled to cast votes on matters for which holders of the Company’s common stock are entitled to vote.

The Company Shares and the Exchangeable Shares were issued in connection with the consummation of the Plan of Arrangement pursuant to the exemption from registration under the Securities Act of 1933, as amended (the “Securities Act”), provided by Section 3(a)(10) of the Securities Act based on the final order of the Ontario Superior Court of Justice issued on May 14, 2021, approving the Plan of Arrangement following a hearing by the court upon the fairness of the terms and conditions on which all persons to whom it is proposed the securities will be issued had the right to appear. The Company agreed to register for resale all shares of Company common stock issuable in exchange for the Exchangeable Shares on a registration statement to be effective within ninety days of the closing date of the Acquisition.

This acquisition was treated as a business combination and the consideration transferred was allocated to the fair value of 7D Surgical's assets acquired and liabilities assumed, including identifiable intangible assets. The acquisition was treated as an asset purchase for US taxation and is treated as a stock purchase for Canadian taxation. The preliminary fair value of consideration transferred consisted of the following:

	Preliminary Fair Value (In thousands)
Common stock issued	$ 61,048
Exchangeable shares	26,505
Cash	33,457
	$ 121,010

The Company incurred $1.8 million of transactions costs directly related to the acquisition that is reflected in general and administrative expenses in the condensed consolidated statements of operations.

The following table summarizes the preliminary fair values of assets acquired and liabilities assumed as of the date of acquisition:

	Preliminary Fair Value (In thousands)
Cash	$ 5,127
Other assets	5,525
Intangible assets	46,000
Goodwill	75,845
Deferred tax liability, net	(9,668)
Other liabilities	(1,819)
	$ 121,010

Preliminary goodwill from the acquisition primarily relates to the future economic benefits arising from the assets acquired and is consistent with the Company's stated intentions and strategy. Other assets include accounts receivable, inventory, tax credits and fixed assets. Other liabilities include accounts payable and accrued liabilities.

The preliminary fair value of 7D Surgical's identifiable intangible assets was $46 million at May 20, 2021, consisting of $40 million of patents and technology, and $6 million of other intangible assets.

The estimated fair values assigned to identifiable assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is waiting for additional information necessary to finalize those fair values. Therefore, the provisional measurements of fair value reflected are subject to change and such changes could be significant. The Company expects to finalized the valuation and complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

The results of operations of 7D Surgical for the period from May 20, 2021 through June 30, 2021 are included in the Company's condensed consolidated financial statements as of June 30, 2021.

Pro Forma Financial Information

The following unaudited pro forma financial information summarizes the combined results of operations as though the companies were combined as of the beginning of 2020:

	Three Months Ended June 30, (In thousands)		Six Months Ended June 30, (In thousands)	
	2021	2020	2021	2020
Total Revenue, net	$ 48,547	$ 30,620	$ 93,454	$ 68,761
Net Loss	$ (7,432)	$ (14,588)	$ (22,211)	$ (28,013)

The pro forma financial information for all periods presented above has been calculated after adjusting the results to reflect the business combination accounting effects resulting from this acquisition, including the amortization expense from acquired intangible assets as though the acquisition occurred as of the beginning of 2020. As noted above, the allocation is preliminary and changes to the value of the finalization of our valuation could result in changes to the amount of amortization expense from acquired intangible assets included in the pro forma financial information presented above. The Company's historical condensed consolidated financial statements have been adjusted in the pro forma combined financial statements to give effect to pro forma events that are directly attributable to the business combination and factually supportable. The pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of 2020.

4. DEBT AND INTEREST

Credit Agreement

In December 2015, the Company entered into a three-year credit facility with Wells Fargo Bank, National Association, which was amended in October 2016, in July 2018, and in July 2020 (as amended, the Credit Facility). The Credit Facility provides an asset-backed revolving line of credit of up to $30.0 million with a maturity date of July 27, 2021, which was subject to a one-time, one-year extension at the Company's election. In July 2021, the Company elected to extend the term of the Credit Facility such that the maturity date is now July 27, 2022. In addition, under the Credit Facility, at any time through July 27, 2021, the Company could have increased the $30.0 million borrowing limit by up to an additional $10.0 million, subject to the Company having sufficient amounts of eligible accounts receivable and inventory and to customary conditions precedent, including obtaining the commitment of lenders to provide such additional amount. The Company did not elect to increase the borrowing limit. In connection with entering into the Credit Facility, the Company was required to become a guarantor and to provide a security interest in substantially all its assets for the benefit of the counterparty.

There were no amounts outstanding under the Credit Facility at June 30, 2021 or December 31, 2020. In March 2021, the Company borrowed $20.0 million under the Credit Facility. As of March 31, 2021, the effective interest rate on the amounts borrowed was 4.50%. On April 19, 2021, the Company repaid the entire $20.0 million of outstanding borrowings under the Credit Facility. At June 30, 2021, the Company had $25.8 million of current borrowing capacity under the Credit Facility before the requirement to maintain the minimum fixed charge coverage ratio as discussed below. Debt issuance costs and legal fees related to the Credit Facility totaling $0.6 million were recorded as a deferred asset and are being amortized ratably over the term of the arrangement.

Borrowings under the Credit Facility accrue interest at the rate then applicable to base rate loans (as customarily defined), unless and until converted into LIBOR rate loans (as customarily defined) in accordance with the Credit Facility. Borrowings bear interest at a floating annual rate equal to (a) during any month for which the Company's average excess availability (as customarily defined) is greater than $20.0 million, (i) base rate plus 1.25 percentage points for base rate loans and (ii) LIBOR rate plus 2.25 percentage points for LIBOR rate loans, (b) during any month for which the Company's average excess availability is greater than $10.0 million but less than or equal to $20.0 million, (i) base rate plus 1.50 percentage points for base rate loans and (ii) LIBOR rate plus 2.50 percentage points for LIBOR rate loans and (c) during any month for which the Company's average excess availability is less than or equal to $10.0 million, (i) base rate plus 1.75 percentage points for base rate loans and (ii) LIBOR rate plus 2.75 percentage points for LIBOR rate loans. The Company also pays an unused line fee based on the average amount borrowed under the Credit Facility for the most recently completed month. If such average amount is 25% or greater of the maximum borrowing capacity, the unused fee will be equal to 0.375% per annum of the amount unused under the Credit Facility, and if such average amount is less than 25%, the unused line fee will be equal to 0.50% per annum of the amount unused under the Credit Facility. The unused line fee is due on the first day of each month.

The Credit Facility contains various customary affirmative and negative covenants, including prohibiting the Company from incurring indebtedness without the lender’s consent. The Credit Facility also includes a financial covenant that requires the Company to maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 for the applicable measurement period, if the Company's Total Liquidity (as defined in the Credit Facility) is less than $5.0 million. The Company was in compliance with all applicable covenants at June 30, 2021.

The Credit Facility also includes customary events of default, including events of default relating to non-payment of amounts due under the Credit Facility, material inaccuracy of representations and warranties, violation of covenants, bankruptcy and insolvency, failure to comply with health care laws, violation of certain of the Company’s existing agreements, and the occurrence of a change of control. Under the Credit Facility, if an event of default occurs, the lender will have the right to terminate the commitments and accelerate the maturity of any loans outstanding.

Paycheck Protection Program

In April 2020, due to the economic uncertainty resulting from the impact of the COVID-19 pandemic on the Company's operations and to support its ongoing operations and retain all employees, the Company applied for a loan under the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Company received a loan in the original principal amount of $7.2 million. The Company subsequently repaid $1.0 million of the loan. Under the terms of the PPP, subject to specified limitations, the loan may be forgiven if the proceeds are used in accordance with the CARES Act. The Company used the loan proceeds for purposes consistent with the terms of the PPP and applied for forgiveness of the entire $6.2 million loan balance, which was granted in June 2021. The $6.2 million gain on the loan forgiveness is included in other income, net, in the condensed consolidated statement of operations. There are no amounts outstanding under the loan at June 30, 2021. The loan is subject to audit by the Small Business Association (SBA) for up to six years after the date of loan forgiveness. Should the SBA determine that the Company did not qualify for all or part of the loan, the Company would need to repay all or a part of the loan.

5. INVENTORIES

Inventories consisted of:

	June 30, 2021	December 31, 2020
	(In thousands)	
Finished goods	$ 45,951	$ 37,689
Work in process	15,858	10,087
Raw materials	3,706	6,265
	$ 65,515	$ 54,041

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment charges. The Company provides for depreciation using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or the useful life. The cost of major additions and improvements is capitalized, while maintenance and repair costs that do not improve or extend the lives of the respective assets are charged to operations as incurred. The cost of computer software obtained for internal use is accounted for in accordance with the Codification 350-40, *Internal-Use Software.*

The cost of purchased spinal instruments that the Company consigns to hospitals and independent sales agents to support surgeries is initially capitalized as construction in progress. The amount is then either reclassified to spinal instruments and sets, and depreciation is initiated when instruments are put together in a newly built set with spinal implants, or directly expensed for the instruments used to replace damaged instruments in an existing set. The depreciation expense and direct expense for replacement instruments are recorded in selling and marketing expense.

Property, plant and equipment balances and corresponding useful lives were as follows:

	June 30, 2021	December 31, 2020	Useful Lives
	(In thousands)		
Leasehold improvements	$ 6,436	$ 5,976	Shorter of lease term or useful life
Machinery and production equipment	10,209	9,577	3 - 10 years
Spinal instruments and sets	37,451	30,275	4 - 6 years
Information systems and hardware	7,774	7,554	3 - 7 years
Furniture and fixtures	1,654	1,640	3 - 5 years
Construction in progress	14,861	12,645	
Total	78,385	67,667	
Less accumulated depreciation and amortization	(39,480)	(36,245)	
Property, plant and equipment, net	$ 38,905	$ 31,422	

Depreciation and amortization expenses totaled $1.7 million and $1.6 million for the three months ended June 30, 2021 and 2020, respectively, and $3.4 million and $3.1 million for the six months ended June 30, 2021 and 2020, respectively. The cost of purchased instruments used to replace damaged instruments in existing sets and recorded directly to instrument replacement expense totaled $0.9 million and $0.6 million for each of the three months ended June 30, 2021 and 2020, respectively, and $1.6 million and $0.9 million for the six months ended June 30, 2021 and 2020, respectively.

For the six months ended June 30, 2020, the Company recorded impairment charges to selling and marketing expense totaling $0.2 million against spinal instruments that are no longer expected to be placed into service. Impairment charges against spinal instruments recorded for each of the three months ended June 30, 2021 and 2020, and six months ended June 30, 2021, were immaterial.

7. IDENTIFIABLE INTANGIBLE ASSETS

Identifiable intangible assets are initially recorded at fair value at the time of acquisition, generally using an income or cost approach. The Company capitalizes costs incurred to renew or extend the term of recognized intangible assets and amortizes those costs over their expected useful lives.

The preliminary fair value of 7D Surgical's identifiable intangible assets of $44.8 million at June 30, 2021, consisting of $38.9 million of patents and technology and $5.8 million of other intangible assets is included in the table for June 30, 2021 below.

Primarily as a result of an expected shift in future product revenue mix more toward a parallel expanding interbody device based on the Company's internally developed technology and, in turn, lower future revenue anticipated for the lordotic expanding implant based on technology the Company acquired from N.L.T. Spine Ltd. (NLT) and NLT Spine, Inc., a wholly owned subsidiary of NLT, the Company's estimated future net sales associated with those NLT product technologies decreased. Accordingly, the Company evaluated the ongoing value of the product technology intangible assets associated with the acquisition of these assets. Based on this evaluation, the Company determined that intangible assets with a carrying amount of $1.6 million were no longer recoverable and were impaired, and the Company wrote those intangible assets down to their estimated fair value of $0.3 million at March 31, 2020. Significant estimates used in determining the estimated fair value include measurements estimating cash flows and determining the appropriate discount rate, which are considered Level 3 inputs under Codification 820.

The components of the Company's identifiable intangible assets were:

	June 30, 2021			
	Weighted Average Life	Cost	Accumulated Amortization	Net
	(Dollars in thousands)			
Product technology	11 years	$ 72,687	$ (30,638)	$ 42,049
Customer relationships	12 years	56,830	(47,657)	9,173
Trademarks/brand names	—	300	(300)	—
Other intangibles	10 years	$ 5,842	$ (49)	5,793
		$ 135,659	$ (78,644)	$ 57,015

	December 31, 2020			
	Weighted Average Life	Cost	Accumulated Amortization	Net
	(Dollars in thousands)			
Product technology	12 years	$ 32,891	$ (29,766)	$ 3,125
Customer relationships	12 years	56,830	(46,072)	10,758
Trademarks/brand names	—	300	(300)	—
		$ 90,021	$ (76,138)	$ 13,883

Annual amortization expense (including amounts reported in cost of goods sold) is expected to be approximately $6.9 million in 2021, $8.7 million in 2022, $8.1 million in 2023, $6.1 million in 2024, and $4.8 million in 2025. For the three months ended June 30, 2021 and 2020, amortization expense totaled $1.5 million and $1.0 million, respectively, and included $0.6 million and $0.2 million, respectively, of amortization of product technology intangible assets that is presented within cost of goods sold. Amortization expense totaled $2.5 million and $2.1 million for the six months ended June 30, 2021 and 2020, respectively, and included $0.9 million and $0.5 million for the six months ended June 30, 2021 and 2020, respectively, of amortization of product technology intangible assets that is presented within cost of goods sold.

8. EQUITY AND STOCK-BASED COMPENSATION

Common Stock

In July 2020 and August 2020, the Company issued 100,100 shares and 75,585 shares of its common stock to NLT, respectively, as settlement of contingent milestone payments pursuant to the terms of the asset purchase agreement entered into with NLT in August 2016.

In January 2020, the Company entered into an Underwriting Agreement with Piper Sandler & Co. and Canaccord Genuity LLC relating to the issuance and sale of 6,800,000 shares of the Company’s common stock at a price to the public of $12.50 per share, before underwriting discounts and commissions. Under the terms of that agreement, the Company granted the underwriters an option, exercisable for 30 days, to purchase up to an additional 1,020,000 shares of common stock. The underwriters exercised this option and the offering closed on January 10, 2020 with the sale of 7,820,000 shares of common stock, resulting in net proceeds to the Company of approximately $92 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. The offering was made pursuant to the Company’s shelf registration statement on Form S-3 that was declared effective on May 22, 2019.

In April 2021, the Company entered into an Underwriting Agreement with Piper Sandler & Co., Canaccord Genuity LLC, and Stifel, Nicolaus & Company, Incorporated relating to the issuance and sale of 4,500,000 shares of the Company's common stock at a price to the public of $19.50 per share, before underwriting discounts and commissions. Under the terms of that agreement, the Company granted the underwriters an option, exercisable for 30 days, to purchase up to an additional 675,000 shares of common stock. The underwriters exercised this option and the offering closed on April 20, 2021 with the sale of 5,175,000 shares of common stock, resulting in net proceeds to the Company of approximately $95 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. The Company used a portion of the net proceeds from the offering to repay all of its outstanding borrowings under the Credit Facility and to finance the cash consideration of $27.5 million for the Company's acquisition of 7D Surgical.

In May 2021, the Company issued 2,991,054 shares of the Company’s common stock and 1,298,648 Exchangeable Shares in connection with Company's acquisition of 7D Surgical.

Equity Award Plans

In May 2015, the Company adopted the 2015 Incentive Award Plan, which was subsequently amended and restated with approval of the Company's stockholders. In February and March 2018, the Company's board of directors approved amendments to the plan that increased the share reserve by an aggregate of 2,726,000 shares over the then-existing share reserve thereunder, subject to stockholder approval. The Company's stockholders approved both amendments in May 2018. In April 2020, the Company's board of directors approved an amendment to the plan that, among other things, increased the share reserve by an aggregate of 3,500,000 shares over the then-existing share reserve thereunder, subject to stockholder approval. The Company's stockholders approved the amendment in June 2020 (the 2015 Incentive Award Plan, as amended and restated to date, the Restated Plan). Under the Restated Plan, the Company can grant its employees, non-employee directors and consultants incentive stock options and non-qualified stock options, restricted stock, performance stock, dividend equivalent rights, stock appreciation rights, stock payment awards and other incentive awards. The aggregate number of shares that may be issued or transferred pursuant to awards under the Restated Plan is the sum of (1) the number of shares issuable upon exercise or vesting of the equity awards issued by the Company's former parent company prior to the spin-off that were converted into the Company's equity awards under the Restated Plan as of the date of the spin-off and (2) 9,735,500 shares of the Company's common stock in respect of awards granted under the Restated Plan. As of June 30, 2021, 2,915,174 shares were available for issuance under the Restated Plan.

In June 2018, the Company established the 2018 Employment Inducement Incentive Award Plan (the 2018 Inducement Plan). The terms of the 2018 Inducement Plan are substantially similar to the terms of the Restated Plan with these principal exceptions: (1) incentive stock options may not be granted under the 2018 Inducement Plan; (2) there are no annual limits on awards that may be issued to an individual under the 2018 Inducement Plan; (3) awards granted under the 2018 Inducement Plan are not required to be subject to any minimum vesting period; and (4) awards may be granted under the 2018 Inducement Plan only to those individuals and in those circumstances described below. An aggregate of 2,000,000 shares are reserved under the 2018 Inducement Plan. As of June 30, 2021, 1,919,495 shares were available for issuance under the 2018 Inducement Plan. As a result of the approval of the amendment to the Restated Plan by the Company's stockholders in June 2020, no awards will be granted under the 2018 Inducement Plan in the future.

In August 2020, the Company adopted the 2020 Employment Inducement Incentive Award Plan (the 2020 Inducement Plan). The terms of the 2020 Inducement Plan are substantially similar to the terms of the 2015 Incentive Award Plan with four principal exceptions: (1) incentive stock options may not be granted under the 2020 Inducement Plan; (2) there are no annual limits on awards that may be issued to an individual under the 2020 Inducement Plan; (3) awards granted under the 2020 Inducement Plan are not required to be subject to any minimum vesting period; and (4) awards may be granted under the 2020 Inducement Plan only to those individuals and in those circumstances described below. An aggregate of 2,000,000 shares are reserved under the 2020 Inducement Plan. As of June 30, 2021, 1,358,338 shares were available for issuance under the 2020 Inducement Plan.

Both the 2018 Inducement Plan and the 2020 Inducement Plan were adopted by the Company’s board of directors without stockholder approval pursuant to Rule 5635(c)(4) of the Nasdaq Listing Rules. In accordance with Rule 5635(c)(4) of the Nasdaq Listing Rules, awards under those plans may only be made to an employee who has not previously been an employee or member of the Company's board of directors or of any board of directors of any parent or subsidiary of the Company, or following a bona fide period of non-employment by the Company or a parent or subsidiary, if he or she is granted such award in connection with his or her commencement of employment with the Company or a subsidiary and such grant is an inducement material to his or her entering into employment with the Company or such subsidiary.

Forfeiture Rate Assumptions

Stock-based compensation expense related to all equity awards includes an estimate for forfeitures. The expected forfeiture rate of all equity-based compensation is based on historical experience of pre-vesting forfeitures on awards and options by each homogeneous group of shareowners. For awards and options granted to non-executive employees, the forfeiture rate is estimated to be 13% and 14% annually for the six months ended June 30, 2021 and 2020, respectively. There is no forfeiture rate applied to awards or options granted to non-employee directors or executive employees because their pre-vesting forfeitures are anticipated to be highly unlikely. As individual awards and options become fully vested, stock-based compensation expense is adjusted to recognize actual forfeitures.

Restricted Stock Awards and Restricted Stock Units

Restricted stock award and restricted stock unit grants to employees generally have a requisite service period of three years, and restricted stock award and restricted stock unit grants to non-employee directors generally have a requisite service period of one year. Both are subject to graded vesting. The Company expenses the fair value of restricted stock awards and restricted stock units on an accelerated basis over the vesting period or requisite service period, whichever is shorter.

No restricted stock units were granted to non-employee directors during the three or six months ended June 30, 2021 or 2020. There were 61,519 and 65,540 restricted stock awards granted to non-employee directors during the three and six months ended June 30, 2021, respectively. During each of the three and six months ended June 30, 2020, there were 72,520 shares of restricted stock awards granted to non-employee directors.

During the three and six months ended June 30, 2021, 14,200 and 398,785 restricted stock units were granted to employees, respectively. During the three and six months ended June 30, 2020, 30,267 and 376,754 restricted stock units were granted to employees, respectively. No restricted stock awards were granted to employees during the three or six months ended June 30, 2021 or 2020.

As of June 30, 2021, there was approximately $7.2 million of unrecognized compensation expense related to the unvested portions of restricted stock awards and restricted stock units. This expense is expected to be recognized over a weighted-average period of approximately 1.2 years.

Stock Options

Stock option grants to employees generally have a requisite service period of four years, and stock option grants to non-employee directors generally have a requisite service period of one year. Both are subject to graded vesting. The Company records stock-based compensation expense associated with stock options on an accelerated basis over the applicable vesting period within each grant and based on their fair value at the date of grant using the Black-Scholes-Merton option pricing model. There were 544,150 and 238,491 stock options granted during the three months ended June 30, 2021 and 2020, respectively, and 1,078,013 and 920,250 stock options granted during the six months ended June 30, 2021 and 2020, respectively. The following weighted-average assumptions were used in the calculation of fair value for options granted during the period indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Expected dividend yield	—%	— %	—%	—%
Risk-free interest rate	0.7%	0.3 %	0.6%	1.3%
Expected volatility	51.8%	49.8 %	51.7%	46.2%
Expected term (in years)	4.5	4.3	4.9	4.9

The Company considered that it has never paid, and does not currently intend to pay, cash dividends. The risk-free interest rates are derived from the U.S. Treasury yield curve in effect on the date of grant for instruments with a remaining term similar to the expected term of the options. The expected volatility is calculated based upon the historical volatility of the Company's share prices. The expected term is calculated using the historical weighted average term of the Company's options.

As of June 30, 2021, there was approximately $7.5 million of unrecognized compensation expense related to unvested stock options. This expense is expected to be recognized over a weighted-average period of approximately 1.9 years.

Employee Stock Purchase Plan

In May 2015, the Company adopted the SeaSpine Holdings Corporation 2015 Employee Stock Purchase Plan, which was amended in November 2018, as described below (as amended, the ESPP). Under the ESPP, eligible employees may purchase shares of the Company's common stock through payroll deductions of up to 15% of eligible compensation during an offering period. Generally, each offering period will be for 24 months as determined by the Company's board of directors. There are four six-month purchase periods in each offering period for contributions to be made and to be converted into shares at the end of the purchase period. In no event may an employee purchase more than 2,500 shares per purchase period based on the closing price on the first trading date of an offering period or more than $25,000 worth of stock during any calendar year. The purchase price for shares to be purchased under the ESPP is 85% of the lesser of the market price of the Company's common stock on the first trading date of an offering period or on any purchase date during an offering period (June 30 or December 31).

Subject to stockholder approval, on and effective as of November 2, 2018, the Company's board of directors approved an amendment to the ESPP pursuant to which the share reserve under the ESPP would increase from 400,000 shares to 800,000 shares. The Company's stockholders approved that amendment in May 2019. In December 2020, the Company's board of directors approved the issuance of an additional 500,000 shares of common stock under the ESPP. The Company's stockholders approved that amendment in June 2021. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the IRC). The ESPP contains a restart feature, such that if the market price of the stock at the end of any six-month purchase period is lower than the market price at the original grant date of an offering period, that offering period will terminate after that purchase date, and a new two-year offering period will commence on the January 1 or July 1 immediately following the date the original offering period terminated. This restart feature was triggered on the purchase date that occurred on June 30, 2020, such that the offering period that commenced on January 1, 2020 was terminated, and a new two-year offering period commenced on July 1, 2020 and will end on June 30, 2022. The Company applied share-based payment modification accounting to the awards that were initially valued at the grant date to determine the amount of any incremental fair value associated with the modified awards. The impact to stock-based compensation expense for modifications during the six months ended June 30, 2021 was immaterial.

During the six months ended June 30, 2021 and 2020, there were 109,178 and 78,360 shares of common stock, respectively, purchased under the ESPP. The Company recognized $0.6 million and $0.4 million in expense related to the ESPP for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, 517,982 shares were available under the ESPP for future issuance.

The Company estimates the fair value of shares issued to employees under the ESPP using the Black-Scholes-Merton option-pricing model. The following weighted average assumptions were used in the calculation of fair value of shares under the ESPP at the grant date for the periods indicated:

	Three and Six Months Ended June 30,	
	2021	2020
Expected dividend yield	— %	— %
Risk-free interest rate	0.1 %	1.6 %
Expected volatility	64.3 %	34.4 %
Expected term (in years)	1.2	1.2

9. LEASES

The Company determines if an arrangement is a lease at inception. The Company's leases primarily relate to administrative, manufacturing, research, and distribution facilities and various manufacturing, office and transportation equipment. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company's incremental borrowing rate is used as a discount rate, based on the information available at the commencement date, in determining the present value of lease payments. Lease assets also include the impact of any prepayments made and are reduced by impact of any lease incentives.

The Company made an accounting policy election for short-term leases, such that the Company will not recognize a lease liability or lease asset on its balance sheet for leases with a lease term of twelve months or less as of the commencement date. Rather, any short-term lease payments will be recognized as an expense on a straight-line basis over the lease term. The current period short-term lease expense reasonably reflects the Company's short-term lease commitments.

The Company made a policy election for all classifications of leases to combine lease and non-lease components and to account for them as a single lease component. Variable lease payments are excluded from the lease liability and recognized in the period in which the obligation is incurred. Additionally, lease terms may include options to extend or terminate the lease when it is reasonably certain the Company will exercise the option.

The Company’s lease portfolio only includes operating leases. As of June 30, 2021, the weighted average remaining lease term of these operating leases was 4.9 years and the weighted average discount rate was 6.5%. For the three and six months ended June 30, 2021, lease expense, which represents expense from operating leases, was $0.5 million and $1.0 million, respectively.

A summary of the Company's remaining lease liabilities at June 30, 2021 are as follows:

	Operating Leases (In thousands)
2021	1,531
2022	2,283
2023	1,608
2024	1,383
2025	1,407
Thereafter	1,869
Total undiscounted value of lease liabilities	$ 10,081
Less: present value adjustment	(1,458)
Less: short-term leases not capitalized	(554)
Present value of lease liabilities	8,069
Less: current portion of lease liability	(2,174)
Operating lease liability, less current portion	$ 5,895

10. INCOME TAXES

The following table summarizes the Company’s effective tax rate for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Reported income tax expense rate	(3.1)%	(0.2)%	(1.0)%	(0.3)%

The Company recorded a provision for income tax expense for the three and six months ended June 30, 2021 and 2020 primarily related to federal, foreign and state operations.

In addition, for all periods presented, the pretax losses incurred by the consolidated U.S. tax group received no corresponding tax benefit because the Company concluded that it is more likely than not that the Company will be unable to realize the value of any resulting deferred tax assets. The Company will continue to assess its position in future periods to determine if it is appropriate to reduce a portion of its valuation allowance in the future.

On March 27, 2020, Congress enacted the CARES Act to provide certain relief as a result of the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to net operating loss carryback periods, alternative minimum tax credit refunds, and modification to the net interest deduction limitations. The CARES Act did not have a material impact on the Company's consolidated financial statements for the three or six months ended June 30, 2021 or 2020.

11. COMMITMENTS AND CONTINGENCIES

In consideration for certain technology, manufacturing, distribution, and selling rights and licenses granted to the Company, the Company agreed to pay royalties on sales of certain products sold by the Company. Except for the royalties paid to NLT, the royalties the Company paid are included as a component of cost of goods sold in the consolidated statements of operations.

The Company is subject to various legal proceedings in the ordinary course of its business with respect to its products, its current or former employees, and its commercial relationships, some of which have been settled by the Company. In the opinion of management, such proceedings are either adequately covered by insurance or otherwise indemnified, or are not expected, individually or in the aggregate, to result in a material adverse effect on the Company's financial condition. However, it is possible that the Company's results of operations, financial position and cash flows in a particular period could be materially affected by these contingencies.

The Company accrues for loss contingencies when it is deemed probable that a loss has been incurred and that loss is estimable. The amounts accrued are based on the full amount of the estimated loss before considering insurance proceeds, and do not include an estimate for legal fees expected to be incurred in connection with the loss contingency. While uncertainty exists, the Company does not believe there are any pending legal proceedings that would have a material impact on the Company’s financial position, cash flows or results of operations.

12. SEGMENT AND GEOGRAPHIC INFORMATION

Segment Reporting

Management assessed its segment reporting based on how it internally manages and reports the results of its business to its chief operating decision maker. Management reviews financial results, manages the business and allocates resources on an aggregate basis. Therefore, financial results are reported in a single operating segment: the development, manufacture and marketing of orthobiologics, spinal implants and image guided navigation systems. The Company reports revenue in two product categories: orthobiologics and spinal implants and enabling technologies. Orthobiologics products consist of a broad range of advanced and traditional bone graft substitutes that are designed to improve bone fusion rates following surgery. The spinal implants and enabling technologies portfolio consists of an extensive line of products for minimally invasive surgery, complex spine, deformity and degenerative procedures as well as a surgical navigation system. The Company attributes revenues to geographic areas based on the location of the customer.

The following table disaggregates revenue by major sales channel for each of the periods presented (in thousands):

	Three Months Ended June 30, 2021			*Six Months Ended June 30, 2021*		
	United States	**International**	**Total**	**United States**	**International**	**Total**
Orthobiologics	$ 21,184	$ 2,387	$ 23,571	$ 40,244	$ 4,815	$ 45,059
Spinal Implants and Enabling Technologies	21,385	2,507	23,892	39,795	4,563	44,358
Total revenue, net	$ 42,569	$ 4,894	$ 47,463	$ 80,039	$ 9,378	$ 89,417

	Three Months Ended June 30, 2020			*Six Months Ended June 30, 2020*		
	United States	**International**	**Total**	**United States**	**International**	**Total**
Orthobiologics	$ 12,665	$ 1,190	$ 13,855	$ 30,026	$ 3,450	$ 33,476
Spinal Implants and Enabling Technologies	13,214	1,520	14,734	27,666	3,558	31,224
Total revenue, net	$ 25,879	$ 2,710	$ 28,589	$ 57,692	$ 7,008	$ 64,700

ITEM 2. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

The terms "we," "us," "our," "SeaSpine" or the "Company" refer collectively to SeaSpine Holdings Corporation and its wholly-owned subsidiaries, unless otherwise stated. All information in this report is based on our fiscal year. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years ending December 31 and the associated quarters, months and periods of those fiscal years.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). The matters discussed in these forward-looking statements are subject to risk and uncertainties that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Such risks and uncertainties may also give rise to future claims and increase exposure to contingent liabilities. Please see the "Risk Factors" section in our Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 10-K) for a discussion of the uncertainties, risks and assumptions associated with these statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

You can identify these forward-looking statements by forward-looking words such as "believe," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would" and similar expressions.

These risks and uncertainties arise from (among other factors):

- *our expectations and estimates concerning future financial performance, financing plans and the impact of competition;*
- *our ability to successfully develop new and next-generation products and the costs associated with designing and developing those new and next-generation products, including risks inherent in collaborations, such as with restor3d, Inc. and our acquisition of 7D Surgical, or use of nascent manufacturing techniques, such as additive processing/3D printing;*
- *physicians' willingness to adopt our recently launched and planned products, customers' continued willingness to pay for our products and third-party payors' willingness to provide or continue coverage and appropriate reimbursement for any of our products and our ability to secure regulatory clearance and/or approval for products in development;*
- *our ability to attract and retain new, high-quality distributors, whether as a result of perceived deficiencies, or gaps, in our existing product portfolio, inability to reach agreement on financial or other contractual terms or otherwise, as well as disruption associated with restrictive covenants to, which distributors may be subject and potential litigation and expense associate therewith;*
- *our ability to continue to invest in medical education and training, product development, and/or sales and commercial marketing initiatives at levels sufficient to drive future revenue growth;*
- *anticipated trends in our business, including consolidation among hospital systems, healthcare reform in the United States, increased pricing pressure from our competitors or hospitals, exclusion from major healthcare systems, whether as a result of unwillingness to provide required pricing or otherwise, and changes in third-party payment systems;*
- *the risk of supply shortages, and the associated potentially long-term disruption to product sales, including as a result of the pandemic and of our dependence on PcoMed to supply products incorporating NanoMetalene technology and a limited number of third-party suppliers for components, raw materials and certain processing and assembly services;*
- *unexpected expenses and delay and our ability to manage timelines and costs related to manufacturing our products including as a result of litigation or developing and supporting the full commercial launch of new products or relating to the pandemic;*
- *our ability to obtain additional debt and equity financing to fund capital expenditures and working capital requirements and acquisitions;*
- *our ability to complete acquisitions, integrate operations post-acquisition and maintain relationships with customers of acquired entities;*

- *our ability to support the safety and efficacy of our products with long-term clinical data;*
- *existing and future regulations affecting our business, both in the United States and internationally, and enforcement of those regulations;*
- *our ability to protect our intellectual property, including unpatented trade secrets, and to operate without infringing or misappropriating the proprietary rights of others;*
- *general economic and business conditions, in both domestic and international markets; and*
- *other risk factors described in the section entitled "Risk Factors" of the 2020 10-K.*

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in this report.

Overview

We are a global medical technology company focused on the design, development and commercialization of surgical solutions for the treatment of patients suffering from spinal disorders. We have a comprehensive portfolio of orthobiologics and spinal implant solutions, as well as a surgical navigation system, to meet the varying combinations of products that neurosurgeons and orthopedic spine surgeons need to perform fusion procedures in the lumbar, thoracic and cervical spine. We believe this broad combined portfolio is essential to meet the "complete solution" requirements of such surgeons.

We report revenue in two product categories: orthobiologics and spinal implants and enabling technologies. Our orthobiologics products consist of a broad range of advanced and traditional bone graft substitutes designed to improve bone fusion rates following a wide range of orthopedic surgeries, including spine, hip, and extremities procedures. Our spinal implants and enabling technologies portfolio consists of an extensive line of products and image-guided surgical solutions to facilitate spinal fusion in degenerative, minimally invasive surgery (MIS), and complex spinal deformity procedures as well as a surgical navigation system.

Our U.S. sales organization consists of regional and territory managers who oversee a broad network of independent sales agents. We pay these sales agents commissions based on the sales of our products. Our international sales organization consists of a sales management team that oversees a network of independent stocking distributors that purchase products directly from us and independently sell them. For the three months ended June 30, 2021 and 2020, international sales accounted for approximately 10% and 9% of our revenue, respectively, and 10% and 11% for the six months ended June 30, 2021 and 2020, respectively. Our policy is not to sell our products through or to participate in physician-owned distributorships.

Acquisitions

In May 2021, we completed the acquisition of 7D Surgical, Inc., a privately-held, Toronto-based company, in a cash and stock deal valued at $110 million, subject to customary adjustments. In February 2020, we announced that we entered into a strategic alliance agreement to distribute 7D Surgical's flagship navigational system founded on its machine-vision, image-guided surgery platform.

7D Surgical, a pioneer in the image-guided surgery market, has developed and commercialized advanced machine-vision-based registration algorithms to improve surgical workflow and patient care, currently with applications in spine and cranial surgeries. Its flagship system, founded on its machine-vision, image-guided surgery platform, reduces radiation exposure in open spine surgery by eliminating intra-operative CT (computed tomography) and fluoroscopy for purposes of registration, both of which commonly are used for patient registration with traditional navigational systems.

Components of Our Results of Operations

Revenue

Our net revenue is derived primarily from the sale of orthobiologics and spinal implants and enabling technology products across North America, Europe, Asia Pacific and Latin America. Sales are reported net of returns, rebates, group purchasing organization fees and other customer allowances.

In the United States, we generate most of our revenue by consigning our orthobiologics products and by consigning or loaning our spinal implant sets to hospitals and independent sales agents, who in turn either deliver them to hospitals for a single surgical procedure, after which they are returned to us, or leave them with hospitals that are high volume users for multiple procedures. The spinal implant sets typically contain the instruments, disposables, and spinal implants required to complete a surgery. We ship replacement inventory to independent sales agents to replace the consigned inventory used in surgeries. We maintain and replenish loaned sets at our kitting and distribution centers and return replenished sets to a hospital or independent sales agent for the next procedure. We recognize revenue on these consigned or loaned products when they have been used or implanted in a surgical procedure.

For all other sales transactions, including sales to international stocking distributors and private label partners, we generally recognize revenue when the products are shipped and the customer or stocking distributor obtains control of the products. There is generally no customer acceptance or other condition that prevents us from recognizing revenue in accordance with the delivery terms for these sales transactions.

Cost of Goods Sold

Cost of goods sold primarily consists of the costs of finished goods purchased directly from third parties and raw materials used in the manufacturing of our products, plant and equipment overhead, labor costs and packaging costs. The majority of our orthobiologics products are designed and manufactured internally. The cost of human tissue and fixed manufacturing overhead costs are significant drivers of the cost of goods sold, and consequently our orthobiologics products, at current production volumes, generate lower gross margin than our spinal implant products. We rely on third-party suppliers to manufacture our spinal implants and enabling technology products, and we assemble the spinal implants into surgical sets at our kitting and distribution centers. The cost to inspect incoming finished goods is included in the cost of goods sold. Other costs included in cost of goods sold include amortization of product technology intangible assets, royalties, scrap and consignment losses, and charges for expired, excess and obsolete inventory.

Selling and Marketing Expense

Our selling and marketing expenses consist primarily of sales commissions to independent sales agents, payroll and other headcount related expenses, marketing expenses, shipping, third-party logistics expenses, depreciation of instrument sets, instrument replacement expense, and cost of medical education and training.

General and Administrative Expense

Our general and administrative expenses consist primarily of payroll and other headcount related expenses and expenses for information technology, legal, human resources, insurance, finance, and management. We also record gains or losses associated with changes in the fair value of contingent consideration liabilities in general and administrative expenses.

Research and Development Expense

Our research and development (R&D) expenses primarily consist of expenses related to the headcount for engineering, product development, clinical affairs and regulatory functions, as well as consulting services, third-party prototyping services, outside research and clinical studies activities, and materials, production and other costs associated with development of our products. We expense R&D costs as they are incurred.

While our R&D expenses fluctuate from period to period based on the timing of specific initiatives, we expect these costs will increase over time as we continue to design and commercialize new products and expand our product portfolio, add related personnel and conduct additional clinical activities.

Intangible Amortization

Our intangible amortization, including the amounts reported in cost of goods sold, consists of acquisition-related amortization. We expect total annual amortization expense (including amounts reported in cost of goods sold) to be approximately $6.9 million in 2021, $8.7 million in 2022, $8.1 million in 2023, $6.1 million in 2024 and $4.8 million in 2025. See “RESULTS OF OPERATIONS-Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020-Impairment of Intangible Assets,” below.

COVID-19 Pandemic - Impact on our Business

The COVID-19 pandemic has presented a substantial public health and economic challenge around the world and has materially and adversely affected our business. We continue to closely monitor developments related to the pandemic and our decisions will continue to be driven by the health and well-being of our employees, our distributor and surgeon customers, and their patients while maintaining operations to support our customers and their patients in the near-term.

- *Surgery Deferrals*: From late March 2020 to mid-May 2020, among other impacts on our business related to the pandemic, surgeons and their patients deferred surgical procedures in which our products otherwise could have been used. This decrease in demand for our products recovered to varying degrees beginning in the latter half of May 2020 as local conditions improved in certain geographies that opened after an initial improvement in COVID-19 infection rates, allowing patients to resume receiving their treatments, though demand was below pre-pandemic levels for various periods during 2020 and was below pre-pandemic levels in early 2021. We expect to see continued volatility throughout 2021 and possibly thereafter as geographies respond to current local conditions. The duration of deferrals of surgical procedures, the magnitude of such deferrals, the timing and extent of the economic impact of the pandemic, and the pace at which the economy recovers therefrom, cannot be determined at this time. We continue to work closely with our surgeon customers, distributors and suppliers to navigate through this unforeseen event while maintaining flexible operations and investing for future growth.
- *Operations*. Our sales, marketing and research and development efforts have continued since the outbreak of the pandemic, but steps we have taken in response to the pandemic have adversely affected our business. To protect the safety, health and well-being of our employees, distributor and surgeon customers, and communities, we implemented preventative measures including travel restrictions, the temporary closures of certain of our facilities, and requiring all office-based employees to work from home, except for those related to manufacturing, distribution and select others, as permitted under governmental orders. Production at our Irvine orthobiologics manufacturing facility was temporarily halted in April and May 2020 and was restarted in June 2020. The change in the manner in which our workforce is functioning could adversely affect sales and may delay the product launches we plan to make in 2021 and beyond.

Our manufacturing, distribution and supply chain has largely been uninterrupted, but could be disrupted as a result of the pandemic, including because of staffing shortages, production slowdowns, stoppages, or disruptions in delivery systems.

- *Cost Containment*: During 2020, we initiated actions to generate savings in areas such as travel, events, clinical studies, and consulting. We also implemented a temporary freeze on new hires and our senior leadership team voluntarily agreed to a 25% reduction in their base salaries from April 26, 2020 through June 20, 2020.
- *Product Development*: In the early stages of the pandemic, we reduced and/or delayed spending on several planned product development and launch initiatives. We have since increased our spending on product development activities and capital expenditures and inventory for product launches from the reduced levels during the early stages of the pandemic as our revenue and cash flow and demand for our products improved. We continue to evaluate the timing and scope of planned product development and launch initiatives and capital expenditures and inventory growth investments to support those initiatives. Based on that evaluation, we may delay and/or reduce additional spending associated with these initiatives, which may delay the product launches we plan to make in 2021 and beyond, and could adversely affect our future revenue growth or such growth may not be consistent with the timelines we anticipated previously.
- *Outlook*. At this time, the full extent of the impact of the pandemic on our business, financial condition and results of operations is uncertain and cannot be predicted with reasonable accuracy and will depend on future developments that are also uncertain and cannot be predicted with reasonable accuracy.

As of the filing date of this report, the extent to which the pandemic may impact our financial condition or results of operations or guidance is uncertain. The effect of the pandemic will not be fully reflected in our results of operations and overall financial performance until future periods. For additional information on the various risks posed by the pandemic on our business, financial condition and results of operations, please see "Item 1A. Risk Factors" in Part I of the 2020 10-K.

RESULTS OF OPERATIONS

(In thousands, except percentages)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	2021 vs. 2020 % Change	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	2021 vs. 2020 % Change
Total revenue, net	$ 47,463	$ 28,589	66 %	$ 89,417	$ 64,700	38 %
Cost of goods sold	17,482	11,659	50 %	32,848	25,471	29 %
Gross profit	29,981	16,930	77 %	56,569	39,229	44 %
Gross margin	63.2 %	59.2 %		63.3 %	60.6 %	
Operating expenses:						
Selling and marketing	25,436	17,013	50 %	48,835	37,489	30 %
General and administrative	9,986	8,845	13 %	20,413	17,399	17 %
Research and development	4,850	3,974	22 %	9,356	7,869	19 %
Intangible amortization	843	792	6 %	1,635	1,584	3 %
Impairment of intangible assets	—	—	— %	—	1,325	(100)%
Total operating expenses	41,115	30,624	34 %	80,239	65,666	22 %
Operating loss	(11,134)	(13,694)	(19)%	(23,670)	(26,437)	(10)%
Other income, net	6,079	14	43321 %	5,920	241	2356 %
Loss before income taxes	(5,055)	(13,680)	(63)%	(17,750)	(26,196)	(32)%
Provision for income taxes	158	33	379 %	183	68	169 %
Net loss	$ (5,213)	$ (13,713)	(62)%	$ (17,933)	$ (26,264)	(32)%

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

Revenue

Total revenue, net for the three months ended June 30, 2021, was $47.5 million, an increase of 66% compared to the same period in 2020.

	Three Months Ended June 30,		2021 vs. 2020
	2021	2020	% Change
	(In thousands)		
Orthobiologics	**$ 23,571**	**$ 13,855**	70 %
United States	21,184	12,665	67 %
International	2,387	1,190	101 %
Spinal Implants and Enabling Technologies	**$ 23,892**	**$ 14,734**	62 %
United States	21,385	13,214	62 %
International	2,507	1,520	65 %
Total revenue, net	**$ 47,463**	**$ 28,589**	66 %

	Three Months Ended June 30,		2021 vs. 2020
	2021	2020	% Change
	(In thousands)		
United States	$ 42,569	$ 25,879	64 %
International	4,894	2,710	81 %
Total revenue, net	**$ 47,463**	**$ 28,589**	66 %

Revenue from orthobiologics sales totaled $23.6 million for the three months ended June 30, 2021, an increase of $9.7 million or 70%, from the same period in 2020. Revenue from orthobiologics sales in the United States increased $8.5 million to $21.2 million for the three months ended June 30, 2021 compared to the same period in 2020. Revenue from orthobiologics sales internationally increased $1.2 million for the three months ended June 30, 2021 compared to the same period in 2020. In all geographies, revenue in the prior year period was adversely impacted due to declines in the volume of surgeries performed due to the effects of the COVID-19 pandemic.

Revenue from spinal implants and enabling technology sales was $23.9 million for the three months ended June 30, 2021, an increase of $9.2 million or 62%, from the same period in 2020. Revenue from spinal implants and enabling technology sales in the United States increased $8.2 million to $21.4 million for the three months ended June 30, 2021 compared to the same period in 2020. Revenue from spinal implants and enabling technology sales internationally increased $1.0 million for the three months ended months ended June 30, 2021 as compared to the same period in 2020. In all geographies, revenue in the prior year period was adversely impacted due to declines in the volume of surgeries performed due to the effects of the COVID-19 pandemic. Additionally, the revenue growth in the current year period was driven by recently launched products, predominantly those products that were alpha or fully launched in 2020 and the first half of 2021. U.S. capital sales revenue for 7D Surgical was $0.6 million for the three months ended June 30, 2021.

Cost of Goods Sold and Gross Margin

Cost of goods sold increased $5.8 million, to $17.5 million for the three months ended June 30, 2021, compared to the same period in 2020. Gross margin was 63.2% for the three months ended June 30, 2021 and 59.2% for the same period in 2020. The increase in gross margin was primarily due to idle plant costs recorded in the second quarter of 2020 associated with the nearly two-month shutdown of orthobiologics manufacturing operations at our Irvine facility. The gross margin also benefited from increased sales in the U.S. of our higher gross margin spinal implant products compared to the prior year period which was partially offset by higher kitting and logistics costs incurred in preparation for the full commercial launches of a number of spinal implant systems expected to occur in the second half of 2021 and from $0.3 million of technology-related intangible asset amortization associated with our acquisition of 7D Surgical.

Cost of goods sold included $0.6 million and $0.2 million of amortization for product technology intangible assets for the three months ended June 30, 2021 and 2020, respectively.

Selling and Marketing

Selling and marketing expenses increased $8.4 million to $25.4 million for the three months ended June 30, 2021 compared to the same period in 2020. The increase was driven primarily by our acquisition of 7D, higher distributor commissions, as well as higher selling, customer service, and supply chain headcount and related expenses.

General and Administrative

General and administrative expenses increased $1.1 million to $10.0 million for the three months ended June 30, 2021, mostly due to $0.5 million of legal and other fees incurred related to our acquisition of 7D Surgical, as well as higher stock-based compensation expense.

Research and Development

R&D expenses increased $0.9 million to $4.9 million, or 10% of revenue, for the three months ended June 30, 2021 compared to the same period in 2020 mostly due to higher R&D headcount and related expenses.

Intangible Amortization

Intangible amortization expense, excluding the amounts reported in cost of goods sold for product technology intangible assets, remained consistent at $0.8 million for both the three months ended June 30, 2021 and 2020.

Income Taxes

	Three Months Ended June 30,	
	2021	2020
	(In thousands)	
Loss before income taxes	$ (5,055)	$ (13,680)
Provision for income taxes	158	33
Effective tax rate	(3.1)%	(0.2)%

We reported income tax expense for the three months ended June 30, 2021 and 2020 primarily related to federal, foreign and state operations.

In addition, for any pretax losses incurred by the consolidated U.S. tax group, we recorded no corresponding tax benefit because we have concluded that it is more-likely-than-not that we will be unable to realize the benefit from any resulting deferred tax assets. We will continue to assess our position in future periods to determine if it is appropriate to reduce a portion of our valuation allowance in the future.

In March 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide certain relief as a result of the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to net operating loss carryback periods, alternative minimum tax credit refunds, and modification to the net interest deduction limitations. The CARES Act did not have a material impact on our consolidated financial statements for the three months ended June 30, 2021.

Other Income

Other income for the three months ended June 30, 2021 primarily consisted of the gain on the forgiveness of debt related to the loan we obtained under the Paycheck Protection Program (PPP) of the CARES Act.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Revenue

Total revenue, net for the six months ended June 30, 2021 was $89.4 million, an increase of 38% compared to the same period in 2020.

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	2021 vs. 2020 % Change
	(In thousands)		
Orthobiologics	**$ 45,059**	**$ 33,476**	35 %
United States	40,244	30,026	34 %
International	4,815	3,450	40 %
Spinal Implants and Enabling Technologies	**$ 44,358**	**$ 31,224**	42 %
United States	39,795	27,666	44 %
International	4,563	3,558	28 %
Total revenue, net	**$ 89,417**	**$ 64,700**	38 %

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	2021 vs. 2020 % Change
	(In thousands)		
United States	$ 80,039	$ 57,692	39 %
International	9,378	7,008	34 %
Total revenue, net	**$ 89,417**	**$ 64,700**	38 %

Revenue from orthobiologics sales totaled $45.1 million for the six months ended June 30, 2021, an increase of $11.6 million, from the same period in 2020. Revenue from orthobiologics sales in the United States increased $10.2 million for the six months ended June 30, 2021 compared to the same period in 2020. Revenue from orthobiologics sales internationally increased $1.4 million for the six months ended June 30, 2021 compared to the same period in 2020. In all geographies, revenue in the prior year period was adversely impacted due to declines in the volume of surgeries performed due to the effects of the COVID-19 pandemic. Additionally, the revenue growth in was driven by higher demand for our fibers-based demineralized bone matrix (DBM) products.

Revenue from spinal implants and enabling technology sales totaled $44.4 million for the six months ended June 30, 2021, an increase of $13.1 million, from the same period in 2020. Revenue from spinal implants and enabling technology sales in the United States increased $12.1 million for the six months ended June 30, 2021 compared to the same period in 2020. Revenue from spinal implants and enabling technology sales internationally increased $1.0 million for the six months ended June 30, 2021 compared to the same period in 2020. In all geographies, revenue in the prior year period was adversely impacted due to declines in the volume of surgeries performed due to the effects of the COVID-19 pandemic. Additionally, the revenue growth in the current year period was driven by new and recently launched products, predominantly those products that were alpha or fully launched in 2020 and the first half of 2021. U.S. capital sales revenue for 7D Surgical was $0.6 million for the six months ended June 30, 2021.

Cost of Goods Sold and Gross Margin

Cost of goods sold increased $7.4 million to $32.8 million for the six months ended June 30, 2021, compared to the same period in 2020. Gross margin was 63.3% for the six months ended June 30, 2021, compared to 60.6% for the same period in 2020. The increase in gross margin was primarily due to idle plant costs recorded in the second quarter of 2020 associated with the nearly two-month shutdown of orthobiologics manufacturing operations at our Irvine facility. The gross margin also benefited from increased sales in the U.S. of our higher gross margin spinal implant products compared to the prior year period and lower excess and obsolete inventory provisions which was mostly partially offset by higher kitting and logistics costs incurred in preparation for the full commercial launches of a number of spinal implant systems expected to occur in the second half of 2021 and from $0.3 million of technology-related intangible asset amortization associated with our acquisition of 7D Surgical.

Cost of goods sold included $0.9 million and $0.5 million of amortization for product technology intangible assets, for the six months ended June 30, 2021 and 2020, respectively.

Selling and Marketing

Selling and marketing expenses increased $11.3 million to $48.8 million for the six months ended June 30, 2021 compared to the same period in 2020. The increase was mainly driven by higher marketing, customer service and logistics headcount and related expenses and third party logistics fees.

General and Administrative

General and administrative expenses increased $3.0 million to $20.4 million for the six months ended June 30, 2021 compared to the same period in 2020, mostly due to $1.8 million of legal and other fees incurred related to our acquisition of 7D Surgical as well as higher general and administrative headcount.

Research and Development

R&D expenses increased $1.5 million to $9.4 million, or 10% of revenue, for the six months ended June 30, 2021 compared to the same period in 2020. The increase was due to higher research and development headcount and related expenses.

Intangible Amortization

Intangible amortization expense, excluding the amounts reported in cost of goods sold for product technology intangible assets, remained consistent at $1.6 million for both the six months ended June 30, 2021 and 2020.

Impairment of Intangible Assets

There was no impairment of intangible assets during the six months ended June 30, 2021, compared to $1.3 million for the same period in 2020. During the six months ended June 30, 2020, primarily as a result of an expected shift in future product revenue mix more toward a parallel expanding interbody device designed based on our internally developed technology and, in turn, lower future revenue anticipated for the lordotic expanding implant based on technology we acquired from NLT, our estimated future net sales associated with those NLT product technologies decreased. Accordingly, we evaluated the ongoing value of the product technology intangible assets associated with the acquisition of these assets. Based on this evaluation, we determined that intangible assets with a carrying amount of $1.6 million were no longer recoverable and were impaired, and we wrote those intangible assets down to their estimated fair value of $0.3 million.

Income Taxes

	Six Months Ended June 30,	
	2021	2020
	(In thousands)	
Loss before income taxes	$ (17,750)	$ (26,196)
Provision for income taxes	183	68
Effective tax rate	(1.0)%	(0.3)%

We reported income tax expense for the six months ended June 30, 2021 and 2020 primarily related to federal, foreign and state operations. See “-Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020-Income Taxes,” above, for information related to the effect of the CARES Act on our taxes.

Other Income

Other income for the six months ended June 30, 2021 primarily consisted of the gain on the forgiveness of debt related to the loan we obtained under the PPP.

Business Factors Affecting the Results of Operations

Special Charges

We define special charges as expenses for which the amount or timing can vary significantly from period to period, and for which the amounts are non-cash in nature, or the amounts are not expected to recur at the same magnitude.

We believe that identification of these special charges provides important supplemental information to investors regarding financial and business trends relating to our financial condition and results of operations. Investors may find this information useful in assessing comparability of our operating performance from period to period, against the business model objectives that management has established, and against other companies in our industry. We provide this information to investors so that they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and valuation.

Loss before income taxes includes the following special charges for the six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Special Charges:	(In thousands)			
Idle manufacturing plant costs	$ —	$ 974	$ —	$ 974
Impairment of intangible assets[1]	$ —	$ —	$ —	$ 1,325
Acquisition and integration-related charges for 7D Surgical	519	—	1,795	—
Total Special Charges	**$ 519**	**$ 974**	**$ 1,795**	**$ 2,299**

(1) Relates to the impairment of acquired product technology intangible assets.

The items reported above are reflected in the consolidated statements of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Cost of good sold	$ —	$ 974	$ —	$ 974
Impairment of intangible assets	$ —	$ —	$ —	$ 1,325
General and administrative	519	—	1,795	—
Total Special Charges	**$ 519**	**$ 974**	**$ 1,795**	**$ 2,299**

Other Matters

Critical Accounting Policies and the Use of Estimates

Our discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparing these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include revenue recognition, allowances for doubtful accounts receivable and sales return and other credits, net realizable value of inventories, amortization periods for acquired intangible assets, estimates of projected cash flows and discount rates used to value intangible assets and test them for impairment, estimates of projected cash flows and assumptions related to the timing and probability of the product launch dates, discount rates matched to the timing of payments, and probability of success rates used to value contingent consideration liabilities from business combinations, estimates of projected cash flows and depreciation and amortization periods for long-lived assets, valuation of stock-based compensation, computation of taxes and valuation allowances recorded against deferred tax assets, and loss contingencies. These estimates are based on historical experience and on various other assumptions believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including sales, expenses, manufacturing, research and development costs and employee-related compensation, will depend on future developments that are highly uncertain, including as a result of genetic variations of, or other information that may emerge concerning, COVID-19 and the actions taken to contain it or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets. We have made estimates of the impact of COVID-19 within our financial statements and there may be changes to those estimates in future periods. Actual results may differ from these estimates.

Note 2, “Summary of Significant Accounting Policies” to the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report and included in Part II, Item 8 of the 2020 10-K describe the significant accounting policies and estimates used in the preparation of our condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 2, "Summary of Significant Accounting Policies," to the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

Liquidity and Capital Resources

Overview, Capital Resources, and Capital Requirements

As of June 30, 2021, we had cash and cash equivalents and investments totaling approximately $120.7 million, and $25.8 million of current borrowing capacity was available under our credit facility. We believe that our cash and cash equivalents, and the amount currently available to us under our credit facility, will be sufficient to fund our operations and meet our contractual obligations for at least the next twelve months.

Paycheck Protection Program Loan

In April 2020, due to the economic uncertainty resulting from the impact of the COVID-19 pandemic on our operations and to support our ongoing operations and retain all employees, we applied for a PPP loan. We received a loan in the original principal amount of $7.2 million. We subsequently repaid $1.0 million of the loan. Under the terms of the PPP, subject to specified limitations, the loan may be forgiven if the proceeds are used in accordance with the CARES Act. In October 2020, we applied for forgiveness of the entire loan, which was granted in June 2021. The loan is subject to audit by the Small Business Association (SBA) for up to six years after the date of loan forgiveness. Should the SBA determine that we did not qualify for all or part of the loan, we would need to repay all or a part of the loan.

Credit Facility

We have a $30.0 million credit facility with Wells Fargo Bank, National Association which matures in July 2022. At June 30, 2021, we had no outstanding borrowings under the credit facility. The borrowing capacity under the credit facility is determined monthly and is based on the amount of our eligible accounts receivable and inventory balances and qualified cash (as defined in the credit facility). Depending on the extent to which our eligible accounts receivable and inventory balances increase, our borrowing capacity could increase by as much as an additional $0.7 million from the $25.8 million available as of June 30, 2021 before we are required to maintain the minimum fixed charge coverage ratio as discussed below. The credit facility contains various customary affirmative and negative covenants, including prohibiting us from incurring indebtedness without the lender's consent. Under the terms of the credit facility, if our Total Liquidity (as defined in the credit facility) is less than $5.0 million, we are required to maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 for the applicable measurement period. Our Total Liquidity was $139.2 million at June 30, 2021, and therefore that financial covenant was not applicable at that time.

Underwritten Offering

In January 2020, we entered into an Underwriting Agreement with Piper Sandler & Co. and Canaccord Genuity LLC relating to the issuance and sale of 6,800,000 shares of our common stock at a public offering price of $12.50 per share, before underwriting discounts and commissions. We granted the underwriters an option, exercisable for 30 days, to purchase up to an additional 1,020,000 shares of common stock. The underwriters exercised this option and the offering closed on January 10, 2020 with the sale of 7,820,000 shares of our common stock, resulting in proceeds of approximately $92 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

In April 2021, we entered into an Underwriting Agreement with Piper Sandler & Co., Canaccord Genuity LLC, and Stifel, Nicolaus & Company, Incorporated relating to the issuance and sale of 4,500,000 shares of our common stock at a price to the public of $19.50 per share, before underwriting discounts and commissions. Under the terms of that agreement, we granted the underwriters an option, exercisable for 30 days, to purchase up to an additional 675,000 shares of common stock. The underwriters exercised this option and the offering closed on April 20, 2021 with the sale of 5,175,000 shares of common stock, resulting in net proceeds of approximately $95 million, after deducting underwriting discounts and commissions and estimated offering expenses payable us.

Cash and Cash Equivalents

We had cash and cash equivalents totaling approximately $120.7 million and $76.8 million at June 30, 2021 and December 31, 2020, respectively.

Cash Flows

	Six Months Ended June 30,		2021 vs. 2020
	2021	2020	% Change
	(In thousands)		
Net cash used in operating activities	$ (10,091)	$ (11,949)	(16)%
Net cash used in investing activities	(40,448)	(30,320)	33 %
Net cash provided by financing activities	94,583	97,471	(3)%
Effect of exchange rate changes on cash and cash equivalents	(160)	(55)	191 %
Net change in cash and cash equivalents	$ 43,884	$ 55,147	(20)%

Net Cash Used in Operating Activities

Net cash used in operating activities for the six months ended June 30, 2021 decreased by $1.9 million compared to the same period in 2020 due to favorable cash based operating activities.

Net Cash Used in Investing Activities

Net cash used in investing activities for the six months ended June 30, 2021 increased by $10.1 million compared to the same period in 2020. The increase was primarily due to the acquisition of 7D Surgical of $28.3 million and a $6.9 million increase in purchases of property and equipment during the six months ended June 30, 2021 compared to the same period in 2020, offset by $25.0 million of investments in U.S. Treasury Bills during the six months ended June 30, 2020 compared to no such investments for the same period in 2021.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $94.6 million for the six months ended June 30, 2021. Cash provided by financing activities in 2021 was comprised primarily of net proceeds of approximately $94.5 million from our April 2021 public offering, $20.0 million of borrowings from the credit facility, $1.6 million of proceeds from the exercise of stock options and $1.0 million proceeds from the issuance of common stock under our ESPP, partially offset by $20.0 million repayments of borrowings from the credit facility and $2.5 million of cash used for tax payments we made on our employees' behalf for shares we withheld from such employees on the vesting of restricted stock awards to cover statutory tax withholding requirements. Net cash provided by financing activities was $97.5 million for the six months ended June 30, 2020. It was comprised primarily of $91.6 million proceeds from issuance of common stock, net of offering costs, $6.2 million of net proceeds from the PPP loan, $0.7 million of proceeds from the issuance of common stock under our ESPP, and $0.9 million of proceeds from the exercise of stock options, partially offset by $1.9 million of cash for tax payments we made on our employees' behalf for shares we withheld from such employees on the vesting of restricted stock awards to cover statutory tax withholding requirements.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as of June 30, 2021 that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our business.

Contractual Obligations and Commitments

With the exception of our obligations under the arrangement agreement with 7D Surgical Inc., there have been no material changes outside the ordinary course of our business to the contractual obligations disclosed in the 2020 10-K.

Information regarding the arrangement agreement with 7D Surgical Inc. is included in Note 11, "Commitments and Contingencies," to the Notes in Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide the information required by this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of our management, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are subject to legal proceedings and claims in the ordinary course of business. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, cash flows, or overall trends in results of operations, in part because of the insurance policies we maintain that cover certain of these claims, legal proceedings are subject to inherent uncertainties, and unfavorable rulings or outcomes could occur that have individually or in aggregate, a material adverse effect on our business, financial condition or operating results. We are not currently subject to any pending material litigation, other than ordinary routine litigation incidental to our business, as described above.

ITEM 1A. RISK FACTORS

See "Item 1A. Risk Factors" in Part I of the 2020 10-K and in Part II of our quarterly report on Form 10-Q for the quarterly period ended March 31, 2021 (the 1Q 2021 10-Q) for a detailed discussion of the risks we face. The risk factors described in the 2020 10-K and 1Q 2021 10-Q have not materially changed.

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

Recent Sales of Unregistered Securities

During the second quarter of 2021, we did not issue any securities that were not registered under the Securities Act of 1933, as amended (the Securities Act).

Purchases of Equity Securities by the Issuer

The table below is a summary of purchases of our common stock we made during the quarter covered by this report. Other than as indicated in the table below, no such purchases were made in any other month during the quarter. We do not have any publicly announced repurchase plans or programs.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs
April 1 - April 30	3,966	$ 17.91	—	—
May 1 - May 31	1,289	$ 21.41	—	—
June 1 - June 30	1,329	$ 20.39	—	—

(1) These shares were surrendered to the Company to satisfy tax withholdings obligations in connection with the vesting of restricted stock awards.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1^	Certificate of Amendment to Amended and Restated Certificate of Incorporation dated June 2, 2021
3.2^	Amended and Restated Bylaws, as amended to date
10.1^*	Second Amendment to the SeaSpine Holdings Corporation 2015 Employee Stock Purchase Plan (December 9, 2020)
10.2*	Amendment Agreement to the Arrangement Agreement among SeaSpine Holdings Corporation, Project Maple Leaf Acquisition ULC, 7D Surgical Inc. and Michael Cadotte and Joel Rose dated March 22, 2021.
10.3*	Consent and Agreement Under Amended and Restated Credit Agreement, dated May 20, 2021, among Wells Fargo Bank, National Association, and SeaSpine Holdings Corporation, SeaSpine Orthopedics Corporation, SeaSpine, Inc., Isotis Inc., SeaSpine Sales LLC, Theken Spine, LLC, and Isotis Orthobiologics, Inc.
10.4#*	Beau Standish Letter Agreement, dated May 22, 2021
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*†	Inline 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*†	Inline XBRL Taxonomy Extension Schema Document
101.CAL*†	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*†	Inline XBRL Definition Linkbase Document
101.LAB*†	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*†	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within Exhibit 101.INS Inline XBRL document)

^ Incorporated herein by reference from the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on June 4, 2021.

\# Management compensatory contract or plan.

* Filed herewith

** These certifications are being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation by reference language in such filing.

† The financial information of SeaSpine Holdings Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 filed on August 5, 2021 formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Loss, (iii) the Condensed Consolidated Balance Sheets, (iv) Parenthetical Data to the Condensed Consolidated Balance Sheets, (v) the Condensed Consolidated Statements of Cash Flows, (vi) the Condensed Consolidated Statements of Equity, and (vii) Notes to Unaudited Condensed Consolidated Financial Statements, is furnished electronically herewith.

SIGNATURES

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

SEASPINE HOLDINGS CORPORATION

Date:	August 5, 2021	/s/ Keith C. Valentine Keith C. Valentine President and Chief Executive Officer (Principal Executive Officer)
Date:	August 5, 2021	/s/ John J. Bostjancic John J. Bostjancic Chief Financial Officer (Principal Financial Officer)

AMENDMENT AGREEMENT

Dated May 19, 2021

Reference is made to the Arrangement Agreement among SeaSpine Holdings Corporation ("**Parent**"), Project Maple Leaf Acquisition ULC ("**Purchaser**"), 7D Surgical Inc. (the "**Company**") and Michael Cadotte and Joel Rose in their capacity as shareholder representatives (the "**Shareholder Representatives**") dated March 22, 2021 (the "**Arrangement Agreement**").

A. Parent, Purchaser, the Company and the Shareholder Representatives agree, that:

(i) the definition of "Base Purchase Price" in Section 1.1 of the Arrangement Agreement shall be replaced in its entirety with the following:

"**Base Purchase Price**" means 4,289,848 SeaSpine Shares or Exchangeable Shares (such number of shares having been determined by dividing US$82.5 million by the volume-weighted price of SeaSpine Shares between March 8, 2021 and March 19, 2021) and US$27.5 million in cash.

(ii) the definition of "Working Capital Asset Accounts" in Section 1.1 of the Arrangement Agreement shall be replaced in its entirety with the following:

"**Working Capital Asset Accounts**" is comprised of: (i) the current assets of the Company Entities, excluding any cash and amounts due from related parties and receivables related to the PPP Loan, (ii) long-term accounts receivable, (iii) long-term lease payments receivable and (iv) the amount of any payments that the Company is entitled to receive pursuant to section 6.2(e) of the Plan of Arrangement.

(iii) the definition of "Working Capital Asset Accounts" in Section 1.1 of the Arrangement Agreement shall be replaced in its entirety with the following:

"**Working Capital Liability Accounts**" is comprised of: (i) the current liabilities of the Company Entities, excluding the current portion of any outstanding Indebtedness or amounts due to related parties, (ii) Advanced Customer Payments, and (iii) the amount of any payments required to be made by Company pursuant to section 6.2(e) of the Plan of Arrangement.

(iv) the definition of "**PPP Escrow Amount**" in Section 1.1 of the Arrangement Agreement shall be replaced in its entirety with the following:

"**PPP Escrow Amount**" means a nil amount.

(v) the text of section 2.16 of the Arrangement Agreement shall be replaced in its entirety with the following:

[Intentionally deleted]

B. Capitalized terms used but not defined in this amendment agreement have the meanings given to them in the Arrangement Agreement.

C. For the avoidance of doubt, the Arrangement Agreement is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. All rights and liabilities that have accrued to any Party under the Arrangement Agreement up to the date of this Amendment remain unaffected by this Amendment.

D. This Agreement (this "**Agreement**") may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The parties hereto shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar copy shall be legally effective to create a valid and binding and the counterparts collectively are to be conclusively deemed to be one instrument.

E. This Agreement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Ontario and the federal laws of Canada applicable therein and shall be construed and treated in all respects as an Ontario contract. Each party hereby irrevocably attorns to the non-exclusive jurisdiction of the Courts of the Province of Ontario in respect of all matters arising under or in relation to this Agreement and the Arrangement Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

SEASPINE HOLDINGS CORPORATION

By: /s/ Patrick Keran

Name: Patrick Keran
Title: Senior Vice President, General Counsel and Corporate Secretary

PROJECT MAPLE LEAF ACQUISITION ULC

By: /s/ Patrick Keran

Name: Patrick Keran
Title: Senior Vice President, General Counsel and Corporate Secretary

7D SURGICAL INC.

By: /s/ Beau Standish

Name: Beau Standish
Title: Chief Executive Officer

/s/ Michael Cadotte

Michael Cadotte

/s/ Joel Rose

Joel Rose

CONSENT AND AGREEMENT UNDER AMENDED AND RESTATED CREDIT AGREEMENT

CONSENT AND AGREEMENT UNDER AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") is made as of May 20, 2021, by and among **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent"), lenders party thereto (each of such lenders, together with its successors and permitted assigns, collectively, "Lender"), and **SEASPINE HOLDINGS CORPORATION**, a Delaware corporation ("Parent"), as Parent and as Guarantor, **SEASPINE ORTHOPEDICS CORPORATION**, a Delaware corporation ("SeaSpine Orthopedics"), **SEASPINE, INC.**, a Delaware corporation ("SeaSpine Inc."), **ISOTIS, INC.**, a Delaware corporation ("IsoTis Inc."), **SEASPINE SALES LLC**, a Delaware limited liability company ("SeaSpine Sales"), **THEKEN SPINE, LLC**, an Ohio limited liability company ("Theken Spine"), and **ISOTIS ORTHOBIOLOGICS, INC.**, a Washington corporation ("IsoTis OrthoBiologics"; together with SeaSpine Orthopedics, SeaSpine Inc., IsoTis Inc., Theken Spine, and SeaSpine Sales, each individually as a "Borrower", and individually and collectively, jointly and severally, as the "Borrowers"). Unless otherwise provided herein, capitalized terms used but not defined in this Agreement shall have the meanings that are set forth in the Credit Agreement referred to below.

RECITALS

A. Pursuant to that certain Amended and Restated Credit Agreement dated as of July 27, 2018, by and among Parent, Borrowers, Agent and Lender, as amended by that certain Consent Under and First Amendment to Amended and Restated Credit Agreement dated as of April 24, 2020, and as amended by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 24, 2020 (as may be further amended, restated, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement"), Lender agreed to make available to Borrowers a secured revolving loan facility.

B. Pursuant to that certain Guaranty and Security Agreement by and among Borrowers party thereto, certain other Guarantors party thereto, and Agent dated as of December 24, 2015 (as amended, restated, modified or supplemented from time to time, the "Security Agreement"), Parent and Existing Borrowers granted a first priority perfect Lien in their assets to Agent for the benefit of itself and the other Lenders.

C. Borrowers have requested that Agent and Lenders (i) waive the Existing Event of Default as defined below, and (ii) consent to (x) the formation of Project Maple Leaf Acquisition ULC, an unlimited liability company incorporated under the laws of the Province of British Columbia ("Maple Leaf"), by Seaspine Orthopedics Intermediate Co, Inc., a Delaware corporation ("Seaspine Ortho Intermediate"), a wholly owned Subsidiary of Seaspine Orthopedics, (y) the subsequent purchase by Maple Leaf of the shares of 7D Surgical, Inc. and (z) the subsequent amalgamation of Maple Leaf and 7D Surgical, Inc., in each case pursuant to and in accordance with the terms and provisions of the Arrangement Agreement dated as of March 22, 2021 (collectively, the "Maple Leaf Acquisition").

NOW, THEREFORE, in consideration of the foregoing, the terms and conditions set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Consent**. Agent and Lenders hereby (i) consent to the Maple Leaf Acquisition subject to the terms and conditions of this Agreement, and (ii) agree to extend the deadline set forth in Section 5.11 of the Credit Agreement to join Seaspine Ortho Intermediate as a Borrower under the Credit Agreement until August 20, 2021 (unless such date is extended, in writing (which may be via email), by Agent, which Agent may do without obtaining the consent of the other members of the Lender Group), pursuant to and in accordance with the terms and conditions of this Agreement.

2. **Agreement**. Notwithstanding anything to the contrary contained in the Credit Agreement or the other Loan Documents, and in consideration of the consent set forth in Section 1, and as inducement for Lenders to continue to make Loans to Borrowers, the Loan Parties hereby consent and agree to satisfy each the following conditions on or prior to August 20, 2021 (unless such date is extended, in writing (which may be via email), by Agent, which Agent may do without obtaining the consent of the other members of the Lender Group): (A)(i) Parent and Borrower shall cause each of Seaspine Ortho Intermediate, 7D Surgical USA Inc., a Delaware corporation ("7D USA"), and 7D Surgical ULC (BC) ("7D Canadian") to be joined as Borrowers under the Credit Agreement, and (ii) Parent and Borrowers shall deliver to Agent a duly executed joinder to the Credit Agreement and joinder to the Security Agreement, in each case, together with such other Loan Documents, security agreements, instruments and certificates (including any required security agreements under Canadian law) as reasonably requested by Agent and as otherwise required to provide Agent a first priority perfected security interest in all of the property and assets of Seaspine Ortho Intermediate, 7D USA and 7D Canadian, and (B)(i) Parent and Borrower shall cause Project Maple Leaf Holdings ULC ("Maple Leaf") to become a secured guarantor of the Obligations and a "Loan Party" under the Credit Agreement and under each other Loan Document to the extent applicable, and (ii) Parent and Borrower shall deliver to Agent any Loan Documents or required security agreements, instruments and certificates (including any security agreements required under Canadian law) as reasonably requested by Agent and as otherwise required to provide a guaranty in favor of Agent of all of the obligations, liabilities and indemnities of Parent and Borrower under the Credit Agreement and the other Loan Documents (including the Obligations) secured by a properly perfected first priority security interest and Lien in all of Maple Leaf's property and assets in favor of Agent. The failure by Loan Parties to so perform or cause to be performed any one of the following conditions set forth in this Section 3 on or before August 20, 2021 (unless such date is extended, in writing (which may be via email), by Agent, which Agent may do without obtaining the consent of the other members of the Lender Group), shall constitute an immediate Event of Default under the Credit Agreement.

3. **Confirmation of Representations and Warranties**. Each Loan Party hereby represents and warrants to Agent and Lender, on a joint and several basis, that, as of the date hereof:

(a) The representations and warranties set forth in the Credit Agreement and in the other Loan Documents, each as amended to date, are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as the date hereof, with the same effect as if made on and as of the date hereof, except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date.

(b) This Agreement and each other document delivered by it in connection herewith has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) The execution, delivery and performance of this Agreement has been duly authorized by all requisite limited liability company, partnership or corporate action, as applicable, on the part of each Loan Party. This Agreement and each other document delivered by it in connection herewith has been duly authorized, executed and delivered to Agent by each Borrower and each is enforceable in accordance with its terms and is in full force and effect.

(d) No Default or Event of Default (other than the Existing Event of Default) has occurred and is continuing on and as of the date hereof or would exist upon the consummation of the transactions contemplated by this Agreement.

4. **Costs and Fees**. In consideration of Agent and Lender agreeing to amend the Credit Agreement, Borrowers shall be responsible for the payment of all reasonable fees of Agent's outside counsel (internal and external) incurred in connection with the preparation of this Agreement and any related documents.

5. **No Waiver or Novation**. The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided in this Agreement, operate as a waiver of any right, power or remedy of Agent or Lender, nor constitute a waiver of any provision of the Credit Agreement, the other Loan Documents or any other documents, instruments and agreements executed or delivered in connection with any of the foregoing. Nothing herein is intended or shall be construed as a waiver of any existing defaults or Events of Default under the Credit Agreement or the other Loan Documents or any of Agent's or Lender's rights and remedies in respect of such defaults or Events of Default. This Agreement (together with any other document executed in connection herewith) is not intended to be, nor shall it be construed as, a novation of the Credit Agreement or the other Loan Documents. This Agreement cannot be amended without the prior written consent of Agent.

6. **Miscellaneous**.

(a) Continuing Effect of Credit Agreement; Conflicts. Except as expressly modified pursuant hereto, no other changes or modifications to the Credit Agreement or the Loan Documents are intended or implied by this Agreement and in all other respects the Credit Agreement and the Loan Documents hereby are ratified, restated and confirmed by all parties hereto as of the date hereof. To the extent of conflict between the terms of this Agreement, the Credit Agreement and the Loan Documents, the terms of this Agreement shall govern and control.

(b) Further Assurances. At Loan Parties' expense, the parties hereto shall execute and deliver such additional documents and take such further action as may be reasonably requested by any other party hereto to effectuate the provisions and purposes of this Agreement.

(c) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

(d) Survival of Representations, Warranties and Covenants. All representations, warranties, covenants and releases of each Loan Party made in this Agreement or any other document furnished in connection with this Agreement shall survive the execution and delivery of this Agreement, and no investigation by Agent or Lender, or any closing, shall affect the representations and warranties or the right of Agent and Lender to rely upon them.

(e) Severability. Any provision of this Agreement held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Agreement.

(f) Reviewed by Attorneys. Each Loan Party hereby represents and warrants to Agent and Lender that it (a) understands fully the terms of this Agreement and the consequences of the execution and delivery of this Agreement, (b) has been afforded an opportunity to discuss this Agreement and have this Agreement reviewed by, such attorneys and other Persons as such Guarantor or any such Borrower may wish, and (c) has entered into this Agreement and executed and delivered all documents in connection herewith of its own free will and accord and without threat, duress or other coercion of any kind by any Person. The parties hereto acknowledge and agree that none of this Agreement or the other documents executed pursuant hereto shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation and preparation of this Agreement and all of the other documents executed pursuant hereto or in connection herewith.

(g) Relationship. Each Loan Party hereby agrees that the relationship among Agent and Lender, on the one hand, and each Loan Party, on the other hand, is that of creditor and debtor and not that of partners or joint venturers. Neither this Agreement nor any of the other Loan Documents constitute a partnership agreement, or any other association among Agent and Lender, on the one hand, and each Loan Party, on the other hand. Each Loan Party acknowledges that Agent and Lender have acted at all times only as a creditor to each Loan

Party within the normal and usual scope of the activities normally undertaken by a creditor and in no event has Agent or Lender attempted to exercise any control over the Loan Parties or their respective businesses or affairs. Each Loan Party further acknowledges that Agent and Lender have not taken or failed to take any action under or in connection with its respective rights under the Credit Agreement and the Loan Documents that in any way or to any extent has interfered with or adversely affects any ownership of Collateral by any Loan Party.

(h) Acknowledgement and Reaffirmation. Except as expressly set forth herein, this Agreement (i) shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of Agent and Lender under the Credit Agreement or any other Loan Document, and (ii) shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of either such agreement or any other Loan Document. Except as expressly set forth herein, each and every term, condition, obligation, covenant and agreement contained in the Credit Agreement or any other Loan Document is hereby ratified and re-affirmed in all respects and shall continue in full force and effect. Each Loan Party reaffirms its obligations under the Loan Documents to which it is party and the validity of the Liens granted by it pursuant to the Loan Documents. This Agreement shall constitute a Loan Document for purposes of the Credit Agreement and from and after the date hereof, all references to the Credit Agreement in any Loan Document and all references in the Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement, shall, unless expressly provided otherwise, refer to the Credit Agreement as amended by this Agreement. Each Loan Party hereby consents to this Agreement and confirm that all obligations of such Loan Party under the Loan Documents to which such Loan Party is a party shall continue to apply to the Credit Agreement as amended hereby.

(i) Release; No Action, Claims, Etc. In consideration of Agent’s and Lender’s willingness to enter into this Agreement, each of the Loan Parties hereby releases and forever discharges Agent and Lender and each of Agent’s and Lender’s predecessors, successors, assigns, officers, managers, directors, employees, agents, attorneys, representatives and affiliates from any and all claims, counterclaims, demands, damages, debts, suits, liabilities, actions and causes of action of any nature whatsoever, in each case to the extent arising in connection with the Loan Documents through the date of this Agreement, whether arising at law or in equity, whether known or unknown, whether liability be direct or indirect, liquidated or unliquidated, whether absolute or contingent, foreseen or unforeseen, and whether or not heretofore asserted, which any Borrower may have or claim to have against Agent and/or Lender. As of the date hereof, each of the Loan Parties hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against Agent and/or Lender, or any of Agent’s and/or Lender’s officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

(j) Counterparts. This Agreement may be executed in any number of counterparts, but all of such counterparts shall together constitute but one and the same agreement. Receipt by telecopy, facsimile or email transmission of any executed signature page to this Agreement shall constitute effective delivery of such signature page.

(k) Interpretation. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(l) Headings. The headings of this Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

(m) Entirety. This Agreement and the other Loan Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof. This Agreement and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

(n) CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; BINDING EFFECT. THIS AGREEMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; BINDING EFFECT SET FORTH IN SECTION 12 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, *MUTATIS MUTANDIS*.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

PARENT AND GUARANTOR:

SEASPINE HOLDINGS CORPORATION, a Delaware corporation

By: /s/ John Bostjancic
John Bostjancic
Chief Financial Officer

BORROWERS:

SEASPINE ORTHOPEDICS CORPORATION, a Delaware corporation

By: /s/ John Bostjancic
John Bostjancic
Chief Financial Officer

SEASPINE, INC., a Delaware corporation

By: /s/ John Bostjancic
John Bostjancic
Chief Financial Officer

ISOTIS, INC., a Delaware corporation

By: /s/ John Bostjancic
John Bostjancic
Chief Financial Officer

SEASPINE SALES LLC, a Delaware limited liability company

By: SeaSpine, Inc., its sole member

By: /s/ John Bostjancic
John Bostjancic
Chief Financial Officer

ISOTIS ORTHOBIOLOGICS, INC., a Washington corporation

By: /s/ John Bostjancic
John Bostjancic
Chief Financial Officer

THEKEN SPINE, LLC, an Ohio limited liability company

By: SeaSpine Orthopedics Corporation, its sole member

By: /s/ John Bostjancic
John Bostjancic
Chief Financial Officer

AGENT AND A LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association

By: /s/ Rina Shinoda
Name: Rina Shinoda
Title: Authorized Signatory

Exhibit 10.4

Dear 7D Team Member,

It’s with great pride that we welcome you to the SeaSpine family! Through our strategic partnership, we were able to appreciate the unique alignment of the respective vision and culture of our two organizations. This led to deepening our collaboration to come together as one team committed to advancing and improving surgery with a steadfast focus on safety and patient outcomes.

Many 7D team members tirelessly supported the diligence efforts and were instrumental in getting us to close this transaction. Today and moving forward, everyone can share in our collective success as you become a SeaSpine family member and shareholder. We look forward to the vast potential the combination of our navigation platform with our innovative and extensive line of spinal implants and orthobiologics will create as we execute our market- taking strategy.

We are STRONGER TOGETHER,

Keith Valentine Beau Standish
President and CEO President, Enabling Technologies

Exhibit 10.4

STRICTLY CONFIDENTIAL

May 20, 2021

Beau Standish Dear Beau,

We are pleased to announce that as of May 20, 2021, SeaSpine Holdings Corporation ("**SeaSpine**," which term, unless the context requires otherwise, includes all of SeaSpine's affiliates, including its parent, subsidiary, and sibling companies, whether direct or indirect) will acquire your current employer 7D Surgical Inc.

In connection with the acquisition, and in exchange for the consideration below, including our one-time grant of a stock option award, we are pleased to extend you an offer to join SeaSpine as an employee of 7D Surgical ULC. Please note that it is a condition of employment that you review, accept, and sign SeaSpine's Confidentiality, Invention Assignment & Restrictive Covenants Agreement, attached as Appendix A (the "**Confidentiality Agreement**"), and SeaSpine's Dispute Resolution Agreement, attached as Appendix B (the "**Dispute Resolution Agreement**"). Please also note that your employment will be governed by and you must comply with SeaSpine's policies and procedures, including the 7D Surgical Employee Handbook, effective January 1, 2021 (the "**Employee Handbook**").

This letter, the Confidentiality Agreement, and the Dispute Resolution Agreement (collectively, the "**Agreement**"), as well as SeaSpine's policies and procedures, including the Employee Handbook, will govern the terms and conditions of your employment, in accordance with all applicable legislation. Your modified terms of employment are outlined below.

EMPLOYER: 7D Surgical ULC
EFFECTIVE DATE: May 20, 2021
WORK LOCATION: Toronto, Ontario
TITLE: President, Enabling Technologies
MANAGER: Keith Valentine
President & CEO, SeaSpine

COMPENSATION: As an exempt (not eligible for overtime) employee, you will be paid a salary on a "salary basis." Your gross annual base salary will be increased to CAD $340,000.00. This salary will be paid, less applicable deductions for income tax, as well as Canada Pension Plan and Employment Insurance remittances, in accordance with our standard payroll practices, which currently is bi-weekly.

ONE-TIME STOCK OPTION AWARD: We expect to grant you a nonqualified stock option award to purchase 100,000 shares of SeaSpine's common stock (the calculated value of which is approximately USD $800,000.00), which option would, subject to your continued employment (as described below under "**Active Employment**"), vest as follows: 25% of the underlying shares would vest on January 1, 2023, with the remaining shares vesting in substantially equal quarterly installments over the following 12 quarters. We expect this award to be granted under one of our equity award plans following a meeting of SeaSpine's Board of Directors, scheduled to take place on June 2, 2021. The exercise price will be the fair market value of SeaSpine's common stock on the grant date. Your eligibility to receive any award is subject to your executing certain award-related documentation. You will receive additional grant information from the company's equity plan administrator separately. SeaSpine reserves the right to amend its equity plan at any time.

BONUS PROGRAM: Your annual target under SeaSpine's variable cash incentive award program for 2021 is 45% of your base salary. The general terms and conditions of the program are provided to you concurrently with this letter. In general, employees are eligible to participate in the program provided employment begins before October 1 of the program year. Variable cash incentive awards will be prorated for eligible employees with a hire date on or after April 1 of the program year. Under this discretionary pay-for-performance program, payout of this incentive is subject to the company achieving its performance targets and you meeting your individual performance objectives. Employees must be employed with the company on the date the variable cash incentive award is paid to have earned and be eligible for the award. The terms and conditions of future incentive opportunities will be based on the company's future circumstances. Any payment arising out of the above-noted bonus program is discretionary and not designed to be part of your regular compensation. SeaSpine reserves the right to amend its bonus program at any time.

ACTIVE EMPLOYMENT: You must be **actively employed** for the stock option award outlined above to vest and to receive any payout under SeaSpine's bonus program. Active employment is defined as any time you are actively at work until termination **PLUS** any period in which payments are made in lieu of statutory notice under the *Employment Standards Act, 2000.* For clarity, other than this period of statutory notice, active employment does not include any period of common law notice or salary continuation or other period used to calculate any severance or separation payment during which you are not required to be at work and performing your job.

BENEFITS AND PAID TIME OFF: You will continue to be eligible to participate in the employee benefits programs for which you currently are enrolled, and you will receive the same paid time off (PTO) as was provided to you by 7D Surgical Inc. We anticipate that, beginning in 2022, you will be eligible to participate in other benefits programs, and that you will also be eligible to participate in SeaSpine's PTO program.

CONFIDENTIAL INFORMATION: We require that, in the course of your employment with us, you not use or disclose any confidential information or trade secrets, if any, of any former employer or other person to whom you have an obligation of confidentiality. Rather, you will be expected to use in the performance of your duties only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which otherwise is provided or developed by us. You further agree that you will not bring onto our premises, or transfer to any of our computers, servers, or systems, any confidential or proprietary document or property belonging to any former employer or other person to whom you have an obligation of confidentiality. A full summary of our expectations is set out in the Confidentiality Agreement.

POLICIES AND PROCEDURES: You must review, accept, and comply with all of SeaSpine's policies and procedures, including, without limitation, our Code of Business Conduct and Ethics, our Insider Trading Policy, and the Employee Handbook. We may adopt additional policies or procedures in the future. You may be required to sign certain documents acknowledging your receipt and understanding of these and other documents. Violation of any of our policies or procedures would be cause for disciplinary action.

TERMINATION: This Agreement, and therefore, your employment may be terminated as set forth below in full satisfaction of any claims that could be made in respect of such termination of employment, whether arising under statute, this contract of employment, or at common law. For clarity, if you are terminated from employment for any of the reasons below, your entitlements will be as set forth below, and you will have no entitlement to vesting or payments under SeaSpine's above-noted equity plan(s) or bonus program(s), unless you are actively employed as set out above.

a. **Resignation:** You may voluntarily resign by providing SeaSpine two (2) weeks' written notice, which may be waived in whole or in part at SeaSpine's sole discretion, in which case you would be paid to the end of the two (2) weeks.

b. **Wilful Misconduct, Disobedience, or Wilful Neglect of Duty**: SeaSpine has the right, at any time, to terminate your employment under this Agreement without notice or pay in lieu thereof, or severance pay, in accordance with the *Employment Standards Act, 2000* and applicable Regulation, in the event you engage in wilful misconduct, disobedience, or wilful neglect of duty that is not trivial and has not been condoned by SeaSpine. In the event your employment is terminated in accordance with this provision, you shall only receive any accrued but unpaid wages and vacation pay owed to you as of the date of termination.

c. **Frustration of Contract**: In the event of long term disability, your employment contract will be considered to be frustrated if you are not able to perform or fulfil the essential duties and requirements of your job, and there is no reasonable expectation that you will be able to do so in the foreseeable future. Any such frustration is subject to any required accommodation pursuant to the *Human Rights Code* to be provided by SeaSpine, and subject to all requirements of the *Employment Standards Act, 2000*, including, without limitation, benefits continuation, pension contributions, holiday eligibility (if applicable), and vacation pay accrual, along with pay in lieu of notice for the statutory notice period and severance pay (if any). You expressly understand and agree that, in the event of frustration, satisfaction of all requirements of the *Employment Standards Act, 2000* will also satisfy any claims you could make under common law.

d. **Without Cause**: At its sole direction, SeaSpine may terminate your employment at any time, after successfully completing your probation (if applicable), without cause, on providing you with your entitlements under the *Employment Standards Act, 2000*, including any outstanding wages and notice or pay in lieu of notice and/or severance pay, less any applicable deductions. Any entitlements you would have under the *Employment Standards Act, 2000* will continue for the statutory notice period, including, without limitation, benefits continuation, pension contributions, holiday eligibility, and vacation pay, where applicable. SeaSpine's compliance with this clause and the *Employment Standards Act, 2000* shall fully satisfy any of your statutory, contractual, and common law entitlements.

SEVERABILITY: In the event that any provision of this Agreement (including this letter, the Confidentiality Agreement, and the Dispute Resolution Agreement) is found to be void, invalid, illegal, or unenforceable, such finding will not affect any other provision of this Agreement (including this letter, the Confidentiality Agreement, and the Dispute Resolution Agreement), which will continue to be in full force and effect.

WAIVER: Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing. The waiver by either party of any breach or violation of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach or violation.

ENTIRE AGREEMENT: This Agreement constitutes the entire agreement between you and SeaSpine with respect to your employment and supersedes any previous agreements, whether written or oral, express or implied, regarding the same, which are superseded, terminated, and/or cancelled, and you and SeaSpine release and forever discharge the other of and from all manner of actions, causes of action, claims, and demands, under or in respect of, any and all such previous agreements.

MODIFICATION: Any modification of this Agreement must be in writing and signed by both you and SeaSpine or it shall have no effect and shall be void.

GOVERNING LAW: This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and federal laws applicable therein.

INDEPENDENT LEGAL ADVICE: You acknowledge that you have read and understand this Agreement and acknowledge that you have had the opportunity to obtain independent legal advice about the Agreement. You acknowledge that you are entering into this Agreement freely, voluntarily, and without duress.

Please sign (either by hand or electronically) and return a copy of the Agreement (including this letter, the Confidentiality Agreement, and the Dispute Resolution Agreement) to me by **May 31, 2021** to confirm your acceptance of these terms. Your signature on this document certifies that you agree with all terms of the Agreement.

If you have any questions regarding this Agreement, the attachments, or their contents, please feel free to address them to me, and I will be happy to discuss.

Beau, we are thrilled to welcome you to the SeaSpine Team! Sincerely,

/s/Christine Collins

Christine Collins
VP, Human Resources

Confirmation of Agreement by Employee

I, Beau Standish, confirm that I have read and agree with the terms of this Agreement. I have had a reasonable opportunity to consider this Agreement and the matters set out herein and to obtain independent legal advice if required. By my signature below (whether electronic or handwritten), I voluntarily accept the modified terms of employment with SeaSpine on the terms and conditions set out in this Agreement, including this letter, the Confidentiality Agreement, and the Dispute Resolution Agreement, and SeaSpine's policies and procedures, including the Employee Handbook, which hereafter constitutes my contract of employment.

I acknowledge that, in this position, I may be considered a "Section 16 reporting person," which means I am required to report changes in holdings of Company securities to the U.S. Securities and Exchange Commission ("SEC"), am subject to sanctions against "short-swing" trading, and am prohibited from engaging in short sales of Company securities. In addition, the Company may be required to disclose certain personal information about me in its filings with the SEC and its other public disclosures, and I agree and consent to the Company's disclosure of such information:
Signature:/s/ Beau Standish Date: 5/22/2021

Beau Standish

Exhibit 31.1

Certification of Principal Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Keith C. Valentine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaSpine Holdings Corporation;

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: August 5, 2021

/s/ Keith C. Valentine

Keith C. Valentine

Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John J. Bostjancic, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaSpine Holdings Corporation;

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: August 5, 2021

/s/ John J. Bostjancic

John J. Bostjancic
Chief Financial Officer

Exhibit 32.1

Certification of Principal Executive Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Keith C. Valentine, President and Chief Executive Officer of SeaSpine Holdings Corporation (the “Company”), hereby certify that, to my knowledge:

1 The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the “Report”) fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2021

/s/ Keith C. Valentine
Keith C. Valentine
Chief Executive Officer

Exhibit 32.2

Certification of Principal Financial Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, John J. Bostjancic, Senior Vice President and Chief Financial Officer of SeaSpine Holdings Corporation (the "Company"), hereby certify that, to my knowledge:

1 The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the "Report") fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2021

/s/ John J. Bostjancic

John J. Bostjancic

Chief Financial Officer