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

FORM 10-Q

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from __________ to __________

Commission File Number 0-19437

TRANSENTERIX, INC.
(Exact name of registrant as specified in its charter)

Delaware	**11-2962080**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

635 Davis Drive, Suite 300, Morrisville, NC 27560
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (919) 765-8400

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

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

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

Large accelerated filer	X	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging Growth Company	☐

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

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

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock $0.001 par value per share	**TRXC**	**NYSE American**

The number of shares outstanding of the registrant's common stock, as of August 7, 2019 was 217,742,389

TRANSENTERIX, INC.

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FORWARD-LOOKING STATEMENTS

In addition to historical financial information, this report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that concern matters that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this report, including statements regarding future events, our future financial performance, our future business strategy and the plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "in the event that," "may," "plans," "potential," "predicts," "should" or "will" or the negative of these terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by us, which attempt to advise interested parties of the risks, uncertainties, and other factors that affect our business, operating results, financial condition and stock price, including without limitation the disclosures made under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Financial Statements," "Notes to Consolidated Financial Statements "and "Risk Factors" in this report, as well as the disclosures made in the TransEnterix, Inc. Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 27, 2019, or the Fiscal 2018 Form 10-K, and other filings we make with the Securities and Exchange Commission, or SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations except as required by applicable law. References in this report to "we," "our," "us," or the "Company" refer to TransEnterix, Inc., including its subsidiaries, TransEnterix International Inc.; TransEnterix Italia S.r.l.; TransEnterix Europe S.à.R.L; TransEnterix Asia Pte. Ltd.; TransEnterix Taiwan Ltd; TransEnterix Japan KK; TransEnterix Israel Ltd. and TransEnterix Netherlands B.V.

Any disclosure in this report regarding the receipt of CE Mark or Section 510(k) clearance for any of the Company's products does not mean or infer any endorsement of the Company's products by any government agency including, without limitation, the U.S. Food and Drug Administration, or FDA.

TransEnterix, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue	$ 3,639	$ 6,389	$ 5,820	$ 11,156
Cost of revenue	3,936	3,732	6,403	6,287
Gross (loss) profit	(297)	2,657	(583)	4,869
Operating Expenses (Income)				
Research and development	6,295	5,281	11,950	10,546
Sales and marketing	7,868	6,046	15,542	12,016
General and administrative	4,489	3,627	9,049	6,303
Amortization of intangible assets	2,585	2,743	5,196	5,570
Change in fair value of contingent consideration	960	812	1,958	1,439
Acquisition related costs	—	—	45	—
Loss (gain) from sale of SurgiBot assets, net	—	37	97	(11,959)
Total Operating Expenses	22,197	18,546	43,837	23,915
Operating Loss	(22,494)	(15,889)	(44,420)	(19,046)
Other Income (Expense)				
Change in fair value of warrant liabilities	2,528	(17,507)	2,422	(15,678)
Interest income	178	320	496	590
Interest expense	(1,061)	(2,056)	(2,177)	(2,712)
Other (expense) income	(191)	1	(496)	(57)
Total Other Income (Expense), net	1,454	(19,242)	245	(17,857)
Loss before income taxes	(21,040)	(35,131)	(44,175)	(36,903)
Income tax benefit	869	883	1,479	1,773
Net loss	$ (20,171)	$ (34,248)	$ (42,696)	$ (35,130)
Comprehensive loss				
Foreign currency translation gain (loss)	1,240	(4,398)	(709)	(2,090)
Comprehensive loss	$ (18,931)	$ (38,646)	$ (43,405)	$ (37,220)
Net loss per common share:				
Basic	(0.09)	(0.17)	(0.20)	(0.17)
Diluted	(0.10)	(0.17)	(0.21)	(0.17)
Weighted average number of shares used in computing net loss per common share:				
Basic	217,471	204,504	217,135	202,214
Diluted	218,579	204,504	218,579	202,214

See accompanying notes to consolidated financial statements.

TransEnterix, Inc.
Consolidated Balance Sheets
(in thousands, except share amounts)

	June 30, 2019	December 31, 2018
	(unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	$ 23,302	$ 21,061
Short-term investments	9,973	51,790
Accounts receivable, net	5,669	8,560
Inventories	20,091	10,941
Interest receivable	30	26
Other current assets	10,240	9,205
Total Current Assets	69,305	101,583
Restricted cash	712	590
Property and equipment, net	5,782	6,337
Intellectual property, net	34,190	39,716
In-process research and development	10,667	10,747
Goodwill	79,904	80,131
Other long term assets	2,818	203
Total Assets	$ 203,378	$ 239,307
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 7,039	$ 4,433
Accrued expenses	8,182	9,619
Deferred revenue – current portion	897	1,733
Contingent consideration – current portion	74	72
Deferred consideration - MST Acquisition	6,310	5,962
Total Current Liabilities	22,502	21,819
Long Term Liabilities		
Deferred revenue – less current portion	68	109
Contingent consideration – less current portion	12,521	10,565
Notes payable – net of debt discount	29,528	28,937
Warrant liabilities	2,214	4,636
Net deferred tax liabilities	3,164	4,720
Other long term liabilities	1,894	—
Total Liabilities	71,891	70,786
Commitments and Contingencies (Note 17)		
Stockholders' Equity		
Common stock $0.001 par value, 750,000,000 shares authorized at June 30, 2019 and December 31, 2018; 217,625,492 and 216,345,984 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	217	216
Additional paid-in capital	682,736	676,373
Accumulated deficit	(552,095)	(509,406)
Accumulated other comprehensive income	629	1,338
Total Stockholders' Equity	131,487	168,521
Total Liabilities and Stockholders' Equity	$ 203,378	$ 239,307

See accompanying notes to consolidated financial statements.

TransEnterix, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands)
(Unaudited)

	Common Stock		Treasury Stock				Accumulated Other	
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Comprehensive (Loss) Income	Total Stockholders' Equity
Balance, December 31, 2018	216,346	$ 216	—	—	$ 676,373	$ (509,406)	$ 1,338	$ 168,521
Stock-based compensation	—	—	—	—	2,981	—	—	2,981
Exercise of stock options and warrants	159	—	—	—	236	—	—	236
Award of restricted stock units	613	1	—	—	—	—	—	1
Return of common stock to pay withholding taxes on restricted stock	—	—	194	—	(499)	—	—	(499)
Cancellation of treasury stock	—	—	(194)	—	—	—	—	—
Cumulative effect of change in accounting principle (Note 2)	—	—	—	—	(7)	7	—	—
Other comprehensive loss	—	—	—	—	—	—	(1,949)	(1,949)
Net loss	—	—	—	—	—	(22,525)	—	(22,525)
Balance, March 31, 2019	**217,118**	**$ 217**	**—**	**—**	**$ 679,084**	**$ (531,924)**	**$ (611)**	**$ 146,766**
Stock-based compensation	—	—	—	—	3,355	—	—	3,355
Exercise of stock options and warrants	324	—	—	—	297	—	—	297
Award of restricted stock units	183	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	1,240	1,240
Net loss	—	—	—	—	—	(20,171)	—	(20,171)
Balance, June 30, 2019	**217,625**	**$ 217**	**—**	**—**	**$ 682,736**	**$ (552,095)**	**$ 629**	**$ 131,487**

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2017	199,282	$ 199	—	—	$ 621,261	$ (447,640)	$ 5,028	$ 178,848
Stock-based compensation	—	—	—	—	1,834	—	—	1,834
Issuance of common stock and warrants, net of issuance costs	—	—	—	—	11	—	—	11
Exercise of stock options and warrants	1,038	1	—	—	2,227	—	—	2,228
Award of restricted stock units	367	—	—	—	—	—	—	—
Return of common stock to pay withholding taxes on restricted stock	—	—	174	—	—	—	—	—
Cancellation of treasury stock	—	—	(174)	—	—	—	—	—
Issuance of common stock related to sale of SurgiBot assets	1,286	1	—	—	2,999	—	—	3,000
Cumulative effect of change in accounting principle	—	—	—	—	—	11	—	11
Other comprehensive income	—	—	—	—	—	—	2,308	2,308
Net loss	—	—	—	—	—	(882)	—	(882)
Balance, March 31, 2018	**201,973**	**$ 201**	**—**	**$ —**	**$ 628,332**	**$ (448,511)**	**$ 7,336**	**$ 187,358**
Stock-based compensation	—	—	—	—	2,370	—	—	2,370
Issuance of common stock and warrants, net of issuance costs	—	—	—	—	(9)	—	—	(9)
Exercise of stock options and warrants	5,735	6	—	—	14,639	—	—	14,645
Award of restricted stock units	4	—	—	—	—	—	—	—
Return of common stock to pay withholding taxes on restricted stock	—	—	2	—	—	—	—	—
Cancellation of treasury stock	—	—	(2)	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	(4,398)	(4,398)
Net loss	—	—	—	—	—	(34,248)	—	(34,248)
Balance, June 30, 2018	**207,712**	**$ 207**	**—**	**$ —**	**$ 645,332**	**$ (482,759)**	**$ 2,938**	**$ 165,718**

See accompanying notes to consolidated financial statements.

TransEnterix, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Operating Activities		
Net loss	$ (42,696)	$ (35,130)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Loss (gain) from sale of SurgiBot assets, net	97	(11,959)
Depreciation	1,126	1,277
Amortization of intangible assets	5,196	5,570
Amortization of debt discount and debt issuance costs	622	495
Amortization of short-term investment discount	(300)	—
Interest expense on deferred consideration - MST acquisition	387	—
Stock-based compensation	6,336	4,204
Deferred tax benefit	(1,479)	(1,799)
Write down of inventory	761	—
Change in fair value of warrant liabilities	(2,422)	15,678
Change in fair value of contingent consideration	1,958	1,439
Loss on extinguishment of debt	—	1,400
Changes in operating assets and liabilities:		
Accounts receivable	2,808	(762)
Interest receivable	(4)	(24)
Inventories	(10,301)	(1,560)
Other current and long term assets	(3,689)	1,905
Accounts payable	2,499	404
Accrued expenses	(1,454)	(359)
Deferred revenue	(862)	31
Other long term liabilities	1,879	—
Net cash and cash equivalents used in operating activities	$ (39,538)	$ (19,190)
Investing Activities		
Purchase of short-term investments	(12,883)	—
Proceeds from maturities of short-term investments	55,000	—
Proceeds related to sale of SurgiBot assets, net	—	4,496
Purchase of property and equipment	(189)	(358)
Proceeds from sale of property and equipment	—	32
Net cash and cash equivalents provided by investing activities	41,928	4,170
Financing Activities		
Payment of note payable	—	(15,305)
Proceeds from issuance of debt and warrants, net of issuance costs	(30)	18,870
Payment of contingent consideration	—	(395)
Proceeds from issuance of common stock and warrants, net of issuance costs	—	2
Taxes paid related to net share settlement of vesting of restricted stock units	(499)	—
Proceeds from issuance of common stock related to sale of SurgiBot assets	—	3,000
Proceeds from exercise of stock options and warrants	534	9,813
Net cash and cash equivalents provided by financing activities	5	15,985
Effect of exchange rate changes on cash and cash equivalents	(32)	(78)
Net increase in cash, cash equivalents and restricted cash	2,363	887
Cash, cash equivalents and restricted cash, beginning of period	21,651	97,606
Cash, cash equivalents and restricted cash, end of period	$ 24,014	$ 98,493

TransEnterix, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

Supplemental Disclosure for Cash Flow Information				
Interest paid	$	1,528	$	599
Supplemental Schedule of Noncash Investing and Financing Activities				
Transfer of inventories to property and equipment	$	415	$	1,055
Reclass of warrant liability to common stock and additional paid-in capital	$	—	$	7,060

See accompanying notes to consolidated financial statements.

TransEnterix, Inc.

Notes to Consolidated Financial Statements (Unaudited)

1. Organization and Capitalization

TransEnterix, Inc. (the "Company") is a medical device company that is digitizing the interface between the surgeon and the patient in laparoscopy to increase control and reduce surgical variability in today's value-based healthcare environment. The Company is focused on the commercialization of the Senhance™ System, which digitizes laparoscopic minimally invasive surgery. The Senhance System allows for robotic precision, haptic feedback, surgeon camera control via eye sensing and improved ergonomics while offering responsible economics.

The Senhance System has a CE Mark in Europe for laparoscopic abdominal and pelvic surgery, as well as limited thoracic operations excluding cardiac and vascular surgery. On October 13, 2017, the Company received 510(k) clearance from the FDA for use of the Senhance System in laparoscopic colorectal and gynecologic surgery. These indications cover 23 procedures, including benign and oncologic procedures. In May 2018, the indications for use expanded when the Company received 510(k) clearance from the FDA for use of the Senhance System in laparoscopic inguinal hernia and laparoscopic cholecystectomy (gallbladder removal) surgery for a total of 28 indicated procedures. The Senhance System is available for sale in the United States, the European Union, Japan, Taiwan and select other countries.

The Senhance System is a multi-port robotic surgery system that allows multiple robotic arms to control instruments and a camera. The system features advanced technology to enable surgeons with haptic feedback and the ability to move the camera via eye movement.

On October 31, 2018, the Company acquired the assets, intellectual property and highly experienced multidisciplinary personnel of MST Medical Surgical Technologies, Inc., or MST, an Israeli-based medical technology company. Through this acquisition the Company acquired MST's AutoLap™ technology, one of the only image-guided robotic scope positioning systems with FDA clearance and CE Mark. The Company believes MST's image analytics technology will accelerate and drive meaningful Senhance System developments, and allow the Company to expand the Senhance System to add augmented, intelligent vision capability. See Note 3 for a description of the related transaction. On July 3, 2019, the Company announced the sale of the AutoLap assets. See Note 18 for a description of the related transaction.

During 2018 and early 2019, the Company successfully obtained FDA clearance and a CE Mark for 3 millimeter diameter instruments and its Senhance ultrasonic system. The 3 millimeter instruments enable the Senhance System to be used for microlaparoscopic surgeries, allowing for tiny incisions. The ultrasonic system is an advanced energy device used to deliver controlled energy to ligate and divide tissue, while minimizing thermal injury to surrounding structures.

The Company has also developed the SurgiBot System, a single-port, robotically enhanced laparoscopic surgical platform. In December 2017, the Company entered into an agreement with Great Belief International Limited, or GBIL, to advance the SurgiBot System towards global commercialization. The agreement transferred ownership of the SurgiBot System assets to GBIL, while the Company retained the option to distribute or co-distribute the SurgiBot System outside of China. GBIL intends to manufacture the SurgiBot System in China, obtain Chinese regulatory clearance from the National Medical Products Administration ("NMPA"), and commercialize in the Chinese market. The agreement provides the Company with proceeds of at least $29.0 million, of which $15.0 million has been received to date. The remaining $14.0 million represents minimum royalties and will be paid beginning at the earlier of receipt of Chinese regulatory approval or March 2023.

On September 18, 2015, the Company entered into a Membership Interest Purchase Agreement, (the "Purchase Agreement") with Sofar S.p.A., ("Sofar") as seller, Vulcanos S.r.l. ("Vulcanos"), as the acquired company, and TransEnterix International, Inc. ("TransEnterix International"), a direct, wholly owned subsidiary of the Company that was incorporated in September 2015, as buyer. The closing of the transactions occurred on September 21, 2015 (the "Closing Date") pursuant to which the Company acquired all of the membership interests of Vulcanos from Sofar (now known as the "Senhance Acquisition"), and changed the name of Vulcanos to TransEnterix Italia S.r.l ("TransEnterix Italia"). The Senhance Acquisition included all of the assets, employees and contracts related to the Senhance System. See Note 3 for a description of the related transactions.

On September 3, 2013, TransEnterix Surgical, Inc. a Delaware corporation ("TransEnterix Surgical"), and SafeStitch Medical, Inc., a Delaware corporation ("SafeStitch") consummated a merger transaction whereby TransEnterix Surgical merged with a merger subsidiary of SafeStitch, with TransEnterix Surgical as the surviving entity in the merger (the "Merger"). As a result of the Merger, TransEnterix Surgical became a wholly owned subsidiary of SafeStitch. On December 6, 2013, SafeStitch changed its name to TransEnterix, Inc. and increased the authorized shares of common stock from 225,000,000 to 750,000,000, and authorized 25,000,000 shares of preferred stock, par value $0.01 per share.

As used herein, the term “Company” refers to the combination of SafeStitch and TransEnterix Surgical after giving effect to the Merger, and includes TransEnterix International, Inc.; TransEnterix Italia S.r.l.; TransEnterix Europe S.à.R.L; TransEnterix Asia Pte. Ltd.; TransEnterix Taiwan Ltd.; TransEnterix Japan KK; TransEnterix Israel Ltd. and TransEnterix Netherlands B.V.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with the instructions to Form 10-Q and the standards of accounting measurement set forth in the Interim Reporting Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Consequently, the Company has not necessarily included in this Form 10-Q all information and footnotes required for audited financial statements. In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements in this Form 10-Q contain all adjustments, consisting only of normal recurring adjustments, except as otherwise indicated, necessary for a fair statement of its financial position, results of operations, and cash flows of the Company for all periods presented. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for any subsequent period or for the entire year. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Company’s audited financial statements and the notes thereto included in the Fiscal 2018 Form 10-K. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles in the U.S. (“U.S. GAAP”) have been condensed or omitted in the accompanying interim consolidated financial statements. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The accompanying Consolidated Financial Statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries, SafeStitch LLC, TransEnterix Surgical, Inc., TransEnterix International, Inc., TransEnterix Italia S.r.l., TransEnterix Europe S.à.R.L; TransEnterix Asia Pte. Ltd.; TransEnterix Taiwan Ltd.; TransEnterix Japan KK; TransEnterix Israel Ltd. and TransEnterix Netherlands B.V. All material inter-company accounts and transactions have been eliminated in consolidation.

Going Concern

The Company's consolidated financial statements are prepared using U.S. GAAP applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. The Company had an accumulated deficit of $552.1 million as of June 30, 2019, and has working capital of $46.8 million as of June 30, 2019. The Company has not established sufficient sales revenues to cover its operating costs and requires additional capital to proceed with its operating plan. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. In order to continue as a going concern, the Company will need, among other things, additional capital resources.

Traditionally, the Company has raised additional capital through equity offerings. Management's plan to obtain such resources for the Company may include additional sales of equity, traditional financing, such as loans; entry into a strategic collaboration, entry into an out-licensing arrangement or provision of additional distribution rights in some or all of our markets. In addition, the Company may consider fundamental business combination transactions. If the Company is unable to obtain adequate capital through one of these methods, or if expected capital from existing agreements is not received when due, or at all, it would need to reduce its sales and marketing and administrative expenses and delay research and development projects, including the purchase of equipment and supplies, until it is able to obtain sufficient funds. If such sufficient funds are not received on a timely basis, the Company would then need to pursue a plan to license or sell its assets, seek to be acquired by another entity, cease operations and/or seek bankruptcy protection. However, management cannot provide any assurance that the Company will be successful in accomplishing any or all of its plans. The ability to successfully resolve these factors raise substantial doubt about the Company’s ability to meet its future financial covenants on its existing debt, and to continue as a going concern within one year from the date that these financial statements are issued. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include identifiable intangible assets and goodwill, contingent consideration, warrant liabilities, stock compensation expense, revenue recognition, accounts receivable reserves, excess and obsolete inventory reserves, and deferred tax asset valuation allowances.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents.

Restricted cash at June 30, 2019 includes $0.7 million in cash accounts held as collateral primarily under the terms of an office operating lease, credit cards and automobile leases. Restricted cash at December 31, 2018 includes $0.6 million in cash accounts held as collateral primarily under the terms of an office operating lease, credit cards and automobile leases.

Short-term Investments

Short-term investments are considered to be "held-to-maturity" and are carried at amortized cost using the effective interest method. As of June 30, 2019 and December 31, 2018, short-term investments consisted of $10.0 million and $51.8 million, respectively, in U.S. government securities, all of which mature in less than a year.

The Company reassesses the appropriateness of the classification of its investments at the end of each reporting period. The Company has determined that its debt securities should be classified as held-to-maturity as of June 30, 2019 and December 31, 2018. This classification was based upon management's determination that it has the positive intent and ability to hold the securities until their maturity dates, as the investments mature within six months and the underlying cash invested in these securities is not required prior to the investments maturity. Due to the short-term maturities of these instruments, the amortized cost approximates the related fair values, which are based on level 1 inputs as defined in Note 5. As of June 30, 2019 and December 31, 2018, the gross holding gains and losses were immaterial.

The Company reviews its short-term investments for other-than-temporary impairment if the cost exceeds the fair value. No such impairment was recorded as of June 30, 2019 or December 31, 2018.

Concentrations and Credit Risk

The Company's principal financial instruments subject to potential concentration of credit risk are cash and cash equivalents, including amounts held in money market accounts and short-term investments. The Company places cash deposits with a federally insured financial institution. The Company maintains its cash at banks and financial institutions it considers to be of high credit quality; however, the Company's domestic cash deposits may at times exceed the Federal Deposit Insurance Corporation's insured limit. Balances in excess of federally insured limitations may not be insured. Our oversees cash deposits follows the EU Directive, whereby €0.1 million is deemed an appropriate level of protection, with deposits covered per depositor per bank. The Company's short-term investments consist of U.S. government securities. The Company has not experienced losses on these accounts, and management believes that the Company is not exposed to significant risks on such accounts.

The Company's accounts receivable are derived from sales to customers located throughout the world. The Company evaluates its customers' financial condition and, generally, requires no collateral from its customers. The Company provides reserves for potential credit losses but has not experienced significant losses to date. The Company had five customers who constituted 93% of the Company's net accounts receivable at June 30, 2019. The Company had five customers who constituted 89% of the Company's net accounts receivable at December 31, 2018. The Company had five customers who accounted for 91% of sales for the three months ended June 30, 2019 and three different customers who accounted for 96% of sales for the three months ended June 30, 2018. For the six months ended June 30, 2019, the Company had two customers who accounted for 76% of the Company's net revenue, while for the six months ended June 30, 2018, the Company had five different customers who accounted for 94% of the Company's net revenue.

Accounts Receivable

Accounts receivable are recorded at net realizable value, which includes an allowance for estimated uncollectable accounts. The allowance for uncollectible accounts was determined based on historical collection experience.

Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Inventory costs include direct materials, direct labor, and normal manufacturing overhead. The Company records reserves, when necessary, to reduce the carrying value of inventory to its net realizable value. Management considers forecast demand in relation to the inventory on hand, competitiveness of product offerings, market conditions and product life cycles when determining excess and obsolescence and net realizable value adjustments. At the point of loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Identifiable Intangible Assets and Goodwill

Identifiable intangible assets are recorded at cost, or when acquired as part of a business acquisition, at estimated fair value. Certain intangible assets are amortized over 5 to 10 years. Similar to tangible personal property and equipment, the Company periodically evaluates identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intellectual property consists of purchased patent rights and developed technology acquired as part of a business acquisition. Amortization of the patent rights is recorded using the straight-line method over the estimated useful life of the patents of 10 years. Amortization of the developed technology is recorded using the straight-line method over the estimated useful life of 5 to 7 years. This method approximates the period over which the Company expects to receive the benefit from these assets. No impairment existed at June 30, 2019 or December 31, 2018.

Indefinite-lived intangible assets, such as goodwill, are not amortized. The Company tests the carrying amounts of goodwill for recoverability on an annual basis at December 31 or when events or changes in circumstances indicate evidence that a potential impairment exists, using a fair value based test. The Company continues to operate in one segment, which is considered to be the sole reporting unit and therefore, goodwill is tested for impairment at the enterprise level. No impairment existed at June 30, 2019 or December 31, 2018.

In-Process Research and Development

In-process research and development ("IPR&D") assets represent the fair value assigned to technologies that were acquired, which at the time of acquisition have not reached technological feasibility and have no alternative future use. IPR&D assets are considered to be indefinite-lived until the completion or abandonment of the associated research and development projects. During the period that the IPR&D assets are considered indefinite-lived, they are tested for impairment on an annual basis, or more frequently if the Company becomes aware of any events occurring or changes in circumstances that indicate that the fair value of the IPR&D assets are less than their carrying amounts. If and when development is complete, which generally occurs upon regulatory approval, and the Company is able to commercialize products associated with the IPR&D assets, these assets are then deemed definite-lived and are amortized based on their estimated useful lives at that point in time. If development is terminated or abandoned, the Company may have a full or partial impairment charge related to the IPR&D assets, calculated as the excess of carrying value of the IPR&D assets over fair value.

The IPR&D for the Senhance System was acquired on September 21, 2015. On October 13, 2017, upon receiving FDA clearance and the ability to commercialize the products associated with the IPR&D assets, the assets were deemed definite-lived, reclassified to intellectual property and are now amortized based on their estimated useful lives.

The IPR&D from MST was acquired on October 31, 2018.

Property and Equipment

Property and equipment consists primarily of machinery, manufacturing equipment, demonstration equipment, computer equipment, furniture, and leasehold improvements, which are recorded at cost.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Machinery, manufacturing and demonstration equipment	3-5 years
Computer equipment	3 years
Furniture	5 years
Leasehold improvements	Lesser of lease term or 3 to 10 years

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to operations. Repairs and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine the recoverability of its long-lived assets, the Company evaluates the probability that future estimated undiscounted net cash flows will be less than the carrying amount of the assets. If such estimated cash flows are less than the carrying amount of the long-lived assets, then such assets are written down to their fair value.

The Company's estimates of anticipated cash flows and the remaining estimated useful lives of long-lived assets could be reduced in the future, resulting in a reduction to the carrying amount of long-lived assets.

Contingent Consideration

Contingent consideration is recorded as a liability and is the estimate of the fair value of potential milestone payments related to business acquisitions. Contingent consideration is measured at fair value using a discounted cash flow model utilizing significant unobservable inputs including the probability of achieving each of the potential milestones, future Euro-to-USD exchange rates, and an estimated discount rate associated with the risks of the expected cash flows attributable to the various milestones. Significant increases or decreases in any of the probabilities of success or changes in expected timelines for achievement of any of these milestones would result in a significantly higher or lower fair value of these milestones, respectively, and commensurate changes to the associated liability. The contingent consideration is revalued at each reporting period and changes in fair value are recognized in the consolidated statements of operations and comprehensive (loss) income.

Warrant Liabilities

The Company's Series B Warrants (see Note 14) are measured at fair value using a simulation model which takes into account, as of the valuation date, factors including the current exercise price, the expected life of the warrant, the current price of the underlying stock, its expected volatility, holding cost and the risk-free interest rate for the term of the warrant (see Note 5). The warrant liability is revalued at each reporting period and changes in fair value are recognized in the consolidated statements of operations and comprehensive (loss) income. The selection of the appropriate valuation model and the inputs and assumptions that are required to determine the valuation requires significant judgment and requires management to make estimates and assumptions that affect the reported amount of the related liability and reported amounts of the change in fair value. Actual results could differ from those estimates, and changes in these estimates are recorded when known. As the warrant liability is required to be measured at fair value at each reporting date, it is reasonably possible that these estimates and assumptions could change in the near term.

Translation of Foreign Currencies

The functional currency of the Company's operational foreign subsidiaries is predominately the Euro. The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. The cumulative translation effect for a subsidiary using a functional currency other than the U.S. dollar is included in accumulated other comprehensive income or loss as a separate component of stockholders' equity.

The Company's intercompany accounts are denominated in the functional currency of the foreign subsidiary. Gains and losses resulting from the remeasurement of intercompany receivables that the Company considers to be of a long-term investment nature are recorded as a cumulative translation adjustment in accumulated other comprehensive income or loss as a separate component of stockholders' equity, while gains and losses resulting from the remeasurement of intercompany receivables from a foreign subsidiary for which the Company anticipates settlement in the foreseeable future are recorded in the consolidated statements of operations and comprehensive loss. The net gains and losses included in net loss in the consolidated statements of operations and comprehensive loss for the six months ended June 30, 2019 and 2018 were not significant.

Business Acquisitions

Business acquisitions are accounted for using the acquisition method of accounting in accordance with ASC 805, "Business Combinations." ASC 805 requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values, as determined in accordance with ASC 820, "Fair Value Measurements," as of the acquisition date. For certain assets and liabilities, book value approximates fair value. In addition, ASC 805 establishes that consideration transferred be measured at the closing date of the acquisition at the then-current market price. Under ASC 805, acquisition-related costs (i.e., advisory, legal, valuation and other professional fees) and certain acquisition-related restructuring charges impacting the target company are expensed in the period in which the costs are incurred. The application of the acquisition method of accounting requires the Company to make estimates and assumptions related to the estimated fair values of net assets acquired.

Significant judgments are used during this process, particularly with respect to intangible assets. Therefore, the purchase price allocation to intangible assets and goodwill has a significant impact on future operating results.

Risk and Uncertainties

The Company is subject to a number of risks similar to other similarly-sized companies in the medical device industry. These risks include, without limitation, the historical lack of profitability; the Company's ability to raise additional capital; the liquidity and capital resources of its partners; its ability to successfully develop, clinically test and commercialize its products; the timing and outcome of the regulatory review process for its products; changes in the health care and regulatory environments of the United States, the European Union, Japan, Taiwan and other countries in which the Company operates or intends to operate; its ability to attract and retain key management, marketing and scientific personnel; its ability to successfully prepare, file, prosecute, maintain, defend and enforce patent claims and other intellectual property rights; its ability to successfully transition from a research and development company to a marketing, sales and distribution concern; competition in the market for robotic surgical devices; and its ability to identify and pursue development of additional products.

Revenue Recognition

The Company adopted ASC Topic 606, *Revenue from Contracts with Customers* (the “New Revenue Standard”), on January 1, 2018. The Company’s revenue consists of product revenue resulting from the sale of systems, system components, instruments and accessories, and service revenue. The Company accounts for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. The Company's revenues are measured based on consideration specified in the contract with each customer, net of any sales incentives and taxes collected from customers that are remitted to government authorities.

The Company’s system sale arrangements generally contain multiple products and services. For these bundled sale arrangements, the Company accounts for individual products and services as separate performance obligations if they are distinct, which is if a product or service is separately identifiable from other items in the bundled package, and if a customer can benefit from it on its own or with other resources that are readily available to the customer. The Company’s system sale arrangements include a combination of the following performance obligations: system(s), system components, instruments, accessories, and system service. The Company’s system sale arrangements generally include a five years period of service. The first year of service is generally free and included in the system sale arrangement and the remaining four years are generally included at a stated service price. The Company considers the service terms in the arrangements that are legally enforceable to be performance obligations. Other than service, the Company generally satisfies all of the performance obligations up-front. System components, system accessories, instruments, accessories, and service are also sold on a standalone basis.

The Company recognizes revenues as the performance obligations are satisfied by transferring control of the product or service to a customer. The Company generally recognizes revenue for the performance obligations as follows:

- System sales. For systems and system components sold directly to end customers, revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. For systems sold through distributors, for which distributors are responsible for installation, revenue is recognized generally at the time of shipment. The Company’s system arrangements generally do not provide a right of return. The systems are generally covered by a one-year warranty. Warranty costs were not material for the periods presented.

- Instruments and accessories. Revenue from sales of instruments and accessories is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but also occurs at the time of delivery depending on the customer arrangement. Accessory products include sterile drapes used to help ensure a sterile field during surgery, vision products such as replacement endoscopes, camera heads, light guides, and other items that facilitate use of the Senhance System.

- Service. Service revenue is recognized ratably over the term of the service period as the customers benefit from the service throughout the service period. Revenue related to services performed on a time-and-materials basis is recognized when performed.

For multiple-element arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which the Company separately sells the products or services. Due to limited sales to date, standalone selling prices are not directly observable. The Company estimates the standalone selling price using the market assessment approach considering market conditions and entity-specific factors including, but not limited to, features and functionality of the products and services, geographies, type of customer, and market conditions. The Company regularly reviews standalone selling prices and updates these estimates if necessary.

The following table presents revenue disaggregated by type and geography:

	Three Months Ended		Six Months Ended	
	2019	2018	2019	2018
	(in thousands) (unaudited)			
U.S.				
Systems	$ —	$ 875	$ —	$ 875
Instruments and accessories	25	409	25	409
Services	127	28	260	49
Total U.S. revenue	152	1,312	285	1,333
Outside of U.S. ("OUS")				
Systems	2,737	3,782	4,024	7,236
Instruments and accessories	535	1,101	1,081	2,212
Services	215	194	430	375
Total OUS revenue	3,487	5,077	5,535	9,823
Total				
Systems	2,737	4,657	4,024	8,111
Instruments and accessories	560	1,510	1,106	2,621
Services	342	222	690	424
Total revenue	$ 3,639	$ 6,389	$ 5,820	$ 11,156

The Company recognizes sales by geographic area based on the country in which the customer is based.

Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to service obligations performed under the Company's system sales contracts that will be invoiced and recognized as revenue in future periods. Transaction price allocated to remaining performance obligations was approximately $3.8 million as of June 30, 2019.

The Company invoices its customers based on the billing schedules in its sales arrangements. Contract assets for the periods presented primarily represent the difference between the revenue that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Contract assets are included in accounts receivable and totaled $0.2 million and $0.1 million as of June 30, 2019 and 2018, respectively. Deferred revenue for the periods presented was primarily related to service obligations, for which the service fees are billed up-front, generally annually. The associated deferred revenue is generally recognized ratably over the service period. The Company did not have any significant impairment losses on its contract assets for the periods presented. Revenue recognized for the six months ended June 30, 2019 and 2018, that was included in the deferred revenue balance at the beginning of each reporting period was $0.7 million and $0.2 million, respectively. Revenue for the three months ended June 30, 2019 also included $1.3 million from a system sold in 2017 for which revenue was deferred until its first clinical use, which occurred in the second quarter of 2019.

In connection with assets recognized from the costs to obtain a contract with a customer, the Company determined that the sales incentive programs for its sales team do not meet the requirements to be capitalized as the Company does not expect to generate future economic benefits from the related revenue from the initial sales transaction.

Cost of Revenue

Cost of revenue consists of contract manufacturing, materials, labor and manufacturing overhead incurred internally to produce the products. Shipping and handling costs incurred by the Company are included in cost of revenue. During the six months ended June 30, 2019, the Company recorded $0.8 million charge for inventory obsolescence related to certain system components.

Research and Development Costs

Research and development expenses primarily consist of engineering, product development and regulatory expenses, incurred in the design, development, testing and enhancement of our products. Research and development costs are expensed as incurred.

Stock-Based Compensation

The Company follows ASC 718 "Stock Compensation", which provides guidance in accounting for share-based awards exchanged for services rendered and requires companies to expense the estimated fair value of these awards over the requisite service period. The Company recognizes compensation expense for stock-based awards based on estimated fair values on the date of grant for awards. The Company uses the Black-Scholes-Merton option pricing model to determine the fair value of stock options. The fair value of restricted stock units is determined by the market price of the Company's common stock on the date of grant. The expense associated with stock-based compensation is recognized on a straight-line basis over the requisite service period of each award.

The Company records as expense the fair value of stock-based compensation awards, including stock options and restricted stock units. Compensation expense for stock-based compensation was approximately $6.3 million and $4.2 million for the six months ended June 30, 2019 and 2018, respectively.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets or liabilities for the temporary differences between financial reporting and tax basis of the Company's assets and liabilities, and for tax carryforwards at enacted statutory rates in effect for the years in which the asset or liability is expected to be realized. The effect on deferred taxes of a change in tax rates is recognized in income during the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amounts expected to be realized.

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Legislation") was enacted into law, which reduced the U.S. federal corporate income tax rate to 21% for tax years beginning after December 31, 2017. As a result of the newly enacted tax rate, the Company adjusted its U.S. deferred tax assets as of December 31, 2017, by applying the new 21% rate, which resulted in a decrease to the deferred tax assets and a corresponding decrease to the valuation allowance of approximately $36.1 million, resulting in no impact to the consolidated statement of operations.

The Tax Legislation also implements a territorial tax system. Under the territorial tax system, in general, the Company's foreign earnings will no longer be subject to tax in the U.S. As part of transition to the territorial tax system the Tax Legislation includes a mandatory deemed repatriation of all undistributed foreign earnings that are subject to a U.S. income tax. The Company has determined that the deemed repatriation applicable to the year ending December 31, 2017 does not result in an additional U.S. income tax liability as it has no undistributed foreign earnings.

The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income ("GILTI"), states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has elected to account for GILTI as a period expense in the year the tax is incurred.

Comprehensive (Loss) Income

Comprehensive (loss) income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources.

Segments

The Company operates in one business segment—the research, development and sale of medical device robotics to improve minimally invasive surgery. The Company's chief operating decision maker (determined to be the Chief Executive Officer) does not manage any part of the Company separately, and the allocation of resources and assessment of performance are based on the Company's consolidated operating results. Approximately 42% and 54% of the Company's total consolidated assets are located within the U.S. as of June 30, 2019 and December 31, 2018, respectively. The remaining assets are mostly located in Europe and are primarily related to the Company's facility in Italy, and include goodwill, intellectual property, in-process research and development, other current assets, property and equipment, cash, accounts receivable and inventory of $118.4 million and $111.0 million at June 30, 2019 and December 31, 2018, respectively. Total assets outside of the U.S. excluding goodwill amounted to 43% and 34% of total consolidated assets at June 30, 2019 and December 31, 2018, respectively. The Company recognizes sales by geographic area based on the country in which the customer is based. For the six months ended June 30, 2019 and 2018, 5% and 12%, respectively, of net revenue were generated in the United States; 95% and 88%, respectively, were generated in Europe and Asia.

Impact of Recently Issued Accounting Standards

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The standard is effective for all entities for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing this ASU and has not yet determined the impact ASU 2018-13 may have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation-Stock Compensation (Topic 718), Improvements to Nonemployee Share-based Payments*. This ASU expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. The Company adopted ASU 2018-07 on January 1, 2019, whereby the accounting for share-based payments for non-employees and employees will be substantially the same. The adoption of ASU 2018-7 did not have a material impact on the consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. The amendments in this update are intended to simplify the accounting for certain equity-linked financial instruments and embedded features with down round features that result in the strike price being reduced on the basis of the pricing of future equity offerings. Under the new guidance, a down round feature will no longer need to be considered when determining whether certain financial instruments or embedded features should be classified as liabilities or equity instruments. That is, a down round feature will no longer preclude equity classification when assessing whether an instrument or embedded feature is indexed to an entity's own stock. In addition, the amendments clarify existing disclosure requirements for equity-classified instruments. These amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The adoption of this ASU did not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic (842)*, which establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for most leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements,* which amends the guidance to add a method of adoption whereby the issuer may elect to recognize a cumulative effect adjustment at the beginning of the period of adoption. ASU 2018-11 *Leases (Topic 842), Targeted Improvements,* does not require comparative period financial information to be adjusted. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

ASU 2016-02 defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of the identified asset for a period of time, the customer has to have both (i)the right to obtain substantially all of the economic benefits from the use of the identified asset and (ii)the right to direct the use of the identified asset. A contract does not contain an identified asset if the supplier has a substantive right to substitute such asset ("the leasing criteria"). As part of the adoption of ASC 842, the Company performed an assessment of the impact that the new lease recognition standard will have on its consolidated financial statements. The Company's leases relate to office equipment, company owned vehicles and corporate offices, all of which are classified as operating leases and include fixed payments. The Company does not have any material leases, individually or in the aggregate, classified as a finance leasing arrangement under the new lease recognition standard.

On January 1, 2019, the Company adopted ASU No. 2016-02, applying the package of practical expedients to leases that commenced before the effective date whereby the Company elected to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. The Company also elected, for all classes of underlying assets, to not separate non-lease components from lease components and instead to account for them as a single component. The Company elected to apply the transition provisions as of January 1, 2019, the date of adoption, using the effective date approach, and recorded lease ROU assets and related liabilities on its balance sheet without restating prior periods. Many of the Company's leases include base rental periods coupled with options to renew or terminate the lease, generally at the Company's discretion. In evaluating the lease term, the Company considers whether renewal is reasonably certain. To the extent a significant economic incentive exists to renew the lease, the option is included within the lease term. Based on the Company's leases, renewal options generally do not provide a significant economic incentive and are therefore excluded from the lease term. The ROU asset is included in other long-term assets on the consolidated balance sheets. The current portion of operating lease liabilities are presented within accrued liabilities while the non-current portion of operating lease liabilities are presented within other long term liabilities on the consolidated balance sheets and represents the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate, which ranges between 6.6% and 8.5% based on the terms of the lease. The weighted average discount rate as of June 30, 2019 was 7.8% . There was no change to the Company's consolidated statements of operations and comprehensive loss or cash flows.

The details of this adjustment are summarized below.

	Balance at December 31, 2018	Adjustments Due to ASC 842	Balance at January 1, 2019
		(unaudited) (In thousands)	
Assets			
Other long term assets	$ —	$ 1,751	$ 1,751
Liabilities and Stockholders' Equity			
Accrued expenses	—	507	507
Other long term liabilities	$ —	$ 1,244	$ 1,244

As of June 30, 2019, the right-of-use asset totaled $2.6 million and is included within other long term assets on the consolidated balance sheet and the lease liability totaled $2.9 million, of which $1.0 million is classified as current within accrued expenses and $1.9 million is classified as non-current within other long term liabilities on the consolidated balance sheet. Operating lease costs for the three and six months ended June 30, 2019 totaled $0.4 million and $0.7 million, respectively, and is included within operating expenses in the consolidated statement of operations and comprehensive loss. The weighted average remaining lease term for operating leases as of June 30, 2019 was 3.0 years. Total cash paid for operating leases during the six month period ended June 30, 2019 was $0.7 million and is included within cash flows from operating activities within the consolidated statement of cash flows.

The following table presents the minimum lease payments as of June 30, 2019 (in thousands):

July 1, 2019 to December 31, 2019	662
January 1, 2020 to December 31, 2020	1,317
January 1, 2021 to December 31, 2021	669
January 1, 2022 to December 31, 2022	404
January 1, 2023 to December 31, 2023	194
January 1, 2024 to December 31, 2024	33
Thereafter	—
Total minimum lease payments	3,279
Less: Amount of lease payments representing interest	(352)
Present value of future minimum lease payments	2,927

3. Acquisitions

MST Medical Surgery Technologies Ltd. Acquisition

On September 23, 2018, the Company entered into an Asset Purchase Agreement (the "MST Purchase Agreement") with MST Medical Surgery Technologies Ltd., an Israeli private company (the "Seller"), and two of the Company's wholly owned subsidiaries, as purchasers of the assets of the Seller, including the intellectual property assets (collectively, the "Buyers"). The closing of the transactions occurred on October 31, 2018, pursuant to which the Company acquired the Seller's assets consisting of intellectual property and tangible assets related to surgical analytics with its core image analytics technology designed to empower and automate the surgical environment, with a focus on medical robotics and computer-assisted surgery. The core technology acquired under the MST Purchase Agreement is a software-based image analytics information platform powered by advanced visualization, scene recognition, artificial intelligence, machine learning and data analytics.

Under the terms of the MST Purchase Agreement, at the closing the Buyers purchased substantially all of the assets of the Seller. The acquisition price consisted of two tranches. At or prior to the closing of the transaction the Buyers paid $5.8 million in cash and the Company issued 3.15 million shares of the Company's common stock. A second tranche of $6.6 million in additional consideration will be payable in cash, stock or cash and stock, at the discretion of the Company, within one year after the closing date.

The MST Purchase Agreement contains customary representations and warranties of the parties and the parties have customary indemnification obligations, which are subject to certain limitations described further in the MST Purchase Agreement.

In connection with the closing under the MST Purchase Agreement (the "MST Acquisition"), the Company and the Seller entered into a Lock-Up Agreement, dated October 31, 2018, pursuant to which the Seller agreed, subject to certain exceptions, not to sell, transfer or otherwise convey any of the shares of Company common stock (the "Securities Consideration") for six months following the Closing Date. As of the date of this report, 50% of the Securities Consideration is free from the lock-up restrictions. For the remaining 50% of the Securities Consideration, the Lock-Up Agreement provides that an additional 25% of the Securities

Consideration will be released from the lock-up restrictions on the twelve-month anniversary of the Closing Date and all of the Securities Consideration will be released from the lock-up restrictions on the eighteen-month anniversary of the closing date, or earlier upon certain other conditions. The Lock-Up Agreement further provides that the Seller may not sell, transfer or convey the additional consideration, if such additional consideration is paid in whole or in part through the issuance of shares of the Company's common stock, until after the six-month anniversary of the issuance of the Company's common stock as additional consideration, or earlier upon certain other conditions.

In connection with the MST Acquisition closing, the Company also entered into a Registration Rights Agreement, dated as of October 31, 2018, with the Seller, pursuant to which the Company agreed to register the Securities Consideration such that such Securities Consideration is eligible for resale following the end of the lock-up periods described above.

The MST Purchase Agreement was accounted for as a business combination utilizing the methodology prescribed in ASC 805. The purchase price for the acquisition was allocated to the assets acquired and liabilities assumed based on their estimated fair values.

The following table summarizes the acquisition date fair value of the consideration (in thousands).

Stock consideration	$	8,300
Cash consideration		5,800
Present value of deferred consideration		5,900
Other consideration		314
Total consideration	$	20,314

The value of the stock consideration was determined based on the fair value of the stock on the closing date, adjusted for a lack of marketability discount related to the Lock-Up Agreement. The value of the deferred consideration was determined based on the present value of the future payment using a market interest rate.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed on October 31, 2018, the date of acquisition (in thousands):

Property and equipment	$	43
In-process research and development		10,633
Goodwill		9,638
Net assets acquired	$	20,314

The Company allocated $10.6 million of the purchase price to identifiable intangible assets of in-process research and development that met the separability and contractual legal criterion of ASC 805. IPR&D is principally the estimated fair value of the MST technology which had not reached commercial technological feasibility nor had alternative future use at the time of the acquisition and therefore the Company considered IPR&D, with assigned values to be allocated to the IPR&D assets acquired.

Goodwill is calculated as the difference between the acquisition-date fair value of the consideration transferred and the fair values of the assets acquired and liabilities assumed. The goodwill resulting from this acquisition arises largely from synergies expected from combining the intellectual property acquired from MST with the Company's existing intellectual property as well as acquired employees. The goodwill is deductible for income tax purposes.

Senhance Surgical Robotic System

On September 21, 2015, the Company completed the strategic acquisition, through its wholly owned subsidiary TransEnterix International, from Sofar, of all of the assets, employees and contracts related to the advanced robotic system for minimally invasive laparoscopic surgery now known as the Senhance System.

Under the terms of the Purchase Agreement, the consideration consisted of the issuance of (i) 15,543,413 shares of the Company's common stock (the "Securities Consideration") and (ii) approximately $25.0 million U.S. Dollars and €27.5 million Euro in cash consideration (the "Cash Consideration"). On December 30, 2016, the Company and Sofar entered into an Amendment to the Purchase Agreement (the "Amendment") to restructure the terms of the second tranche of the Cash Consideration (the "Second Tranche"). The initial Securities Consideration was issued in full at the closing of the Senhance Acquisition; under the Amendment, the second tranche of the Cash Consideration was restructured, and an additional issuance of 3,722,685 shares of the Company's common stock with an aggregate fair market value of €5.0 million occurred in January 2017. Following the Amendment, the total Cash Consideration was $25.0 million U.S. Dollars and approximately €22.5 million Euro, of which all but €15.1 million Euro has been paid as of June 30, 2019. The majority of the remaining Cash Consideration to be paid is the third tranche of the Cash Consideration (the

"Third Tranche") of €15.0 million which shall be payable upon achievement of trailing revenues from sales or services contracts of the Senhance System of at least €25.0 million over a calendar quarter. The Third Tranche payments will be accelerated in the event that (i) the Company or TransEnterix International is acquired, (ii) the Company significantly reduces or suspends selling efforts of the Senhance System, or (iii) the Company acquires a business that offers alternative products that are directly competitive with the Senhance System.

4. Cash, Cash Equivalents, and Restricted Cash

Restricted cash at June 30, 2019 and December 31, 2018 includes $0.7 million and $0.6 million respectively, in cash accounts held as collateral primarily under the terms of an office operating lease, credit card agreement and automobile leases.

5. Fair Value

The Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis. These assets and liabilities include cash and cash equivalents, restricted cash, contingent consideration and warrant liabilities. ASC 820-10 ("Fair Value Measurement Disclosure") requires the valuation using a three-tiered approach, which requires that fair value measurements be classified and disclosed in one of three tiers. These tiers are: Level 1, defined as quoted prices in active markets for identical assets or liabilities; Level 2, defined as valuations based on observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable input data; and Level 3, defined as valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. The Company did not have any transfers of assets and liabilities between Level 1, Level 2, and Level 3 of the fair value hierarchy during the six months ended June 30, 2019 and the year ended December 31, 2018.

For assets and liabilities recorded at fair value, it is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and therefore, are based primarily upon estimates, are often calculated based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

As prescribed by U.S. GAAP, the Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Company expects changes in classifications between levels will be rare.

The carrying values of accounts receivable, short-term investments, interest receivable, accounts payable, and certain accrued expenses at June 30, 2019 and December 31, 2018, approximate their fair values due to the short-term nature of these items. The Company's notes payable balance also approximates fair value as of June 30, 2019 and December 31, 2018, as the interest rates on the notes payable approximate the rates available to the Company as of these dates.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 and December 31, 2018, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

Description	June 30, 2019 (In thousands) (unaudited) Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value				
Cash and cash equivalents	$ 23,302	$ —	$ —	$ 23,302
Restricted cash	712	—	—	712
Total Assets measured at fair value	$ 24,014	$ —	$ —	$ 24,014
Liabilities measured at fair value				
Contingent consideration	—	—	12,595	12,595
Warrant liabilities	—	—	2,214	2,214
Total liabilities measured at fair value	$ —	$ —	$ 14,809	$ 14,809

Description	December 31, 2018 (In thousands) Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value				
Cash and cash equivalents	$ 21,061	$ —	$ —	$ 21,061
Restricted cash	590	—	—	590
Total Assets measured at fair value	$ 21,651	$ —	$ —	$ 21,651
Liabilities measured at fair value				
Contingent consideration	$ —	$ —	$ 10,637	$ 10,637
Warrant liabilities	—	—	4,636	4,636
Total liabilities measured at fair value	—	—	15,273	15,273

The Company's financial liabilities consisted of contingent consideration potentially payable to Sofar related to the Senhance Acquisition in September 2015 (Note 3). This liability is reported as Level 3 as estimated fair value of the contingent consideration related to the acquisition requires significant management judgment or estimation and is calculated using the income approach, using various revenue and cost assumptions and applying a probability to each outcome. The change in fair value of the contingent consideration of $2.0 million for the six months ended June 30, 2019 was primarily due to the passage of time and a decrease in the discount rate used. The change in fair value of the contingent consideration of $1.4 million for the six months ended June 30, 2018 was primarily due to the passage of time on the fair value measurement and the impact of foreign currency exchange rates. Adjustments associated with the change in fair value of contingent consideration are included in the Company's consolidated statements of operations and comprehensive loss.

On April 28, 2017, the Company sold 24.9 million units (the "Units"), each consisting of one share of the Company's Common Stock, a Series A warrant to purchase one share of Common Stock with an exercise price of $1.00 per share (the "Series A Warrants"), and a Series B warrant to purchase 0.75 shares of Common Stock with an exercise price of $1.00 per Unit (the "Series B Warrants," together with the Series A Warrants, the "Warrants"), at an offering price of $1.00 per Unit. Each Series A Warrant was exercisable at any time beginning on the date of issuance, and from time to time thereafter, through and including the first anniversary of the issuance date, unless terminated earlier as provided in the Series A Warrant. Receipt of 510(k) clearance for the Senhance System on October 13, 2017 triggered the acceleration of the expiration date of the Series A Warrants to October 31, 2017. Each Series B Warrant may be exercised at any time beginning on the date of issuance and from time to time thereafter through and including the fifth anniversary of the issuance date.

The fair value of the Series A Warrants of $2.5 million at the date of issuance was estimated using the Black-Scholes Merton model which used the following inputs: term of 1 year, risk free rate of 1.07%, no dividends, volatility of 73.14%, and share price of $0.65 per share based on the trading price of the Company's Common Stock. All Series A Warrants were exercised as of October 31, 2017.

The change in fair value of all outstanding Series B Warrants for the six months ended June 30, 2019 was a decrease of $2.4 million compared to an increase of $15.7 million for the six months ended June 30, 2018, and is included in the Company's consolidated statements of operations and comprehensive loss. The following table presents the inputs and valuation methodologies used for the Company's fair value of the Series B Warrants:

Series B	June 30, 2019	December 31, 2018	April 28, 2017 (date of issuance)
Fair value	$2.2 milllion	$4.6 milllion	$6.2 milllion
Valuation methodology	Monte Carlo	Monte Carlo	Black-Scholes Merton
Term	2.8 years	3.3 years	5.0 years
Risk free rate	1.71%	2.47%	1.81%
Dividends	—	—	—
Volatility	82.34%	87.60%	73.14%
Share price	$1.36	$2.26	$0.65
Probability of additional financing	100% in 2019	100% in 2019	Not Applicable

The following table presents quantitative information about the inputs and valuation methodologies used for the Company's fair value measurements classified in Level 3 with the exception of the warrant liability, which is explained above as of June 30, 2019 and December 31, 2018:

	Valuation Methodology	Significant Unobservable Input	Weighted Average (range, if applicable)
Contingent consideration	Probability weighted income approach	Milestone dates	2019 to 2022
		Discount rate	10% to 12%

The following table summarizes the change in fair value, as determined by Level 3 inputs, for all assets and liabilities using unobservable Level 3 inputs for the six months ended June 30, 2019:

	Fair Value Measurement at Reporting Date (Level 3) (In thousands) (unaudited)	
	Common stock warrants	Contingent consideration
Balance at December 31, 2018	$ 4,636	$ 10,637
Change in fair value	(2,422)	1,958
Balance at June 30, 2019	$ 2,214	$ 12,595
Current portion	—	74
Long-term portion	2,214	12,521
Balance at June 30, 2019	$ 2,214	$ 12,595

6. Accounts Receivable, Net

The following table presents the components of accounts receivable:

	June 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Gross accounts receivable	$ 5,749	$ 8,640
Allowance for uncollectible accounts	(80)	(80)
Total accounts receivable, net	$ 5,669	$ 8,560

7. Inventories

The components of inventories are as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Finished goods	$ 9,586	$ 5,439
Raw materials	10,505	5,502
Total inventories	$ 20,091	$ 10,941

8. Other Current Assets

The following table presents the components of other current assets:

	June 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Advances to vendors	$ 8,867	$ 7,758
Prepaid expenses	1,354	1,438
Other receivables	19	9
Total	$ 10,240	$ 9,205

9. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Machinery, manufacturing and demonstration equipment	$ 12,565	$ 12,320
Computer equipment	2,297	2,260
Furniture	638	639
Leasehold improvements	2,287	2,280
Total property and equipment	17,787	17,499
Accumulated depreciation and amortization	(12,005)	(11,162)
Property and equipment, net	$ 5,782	$ 6,337

Depreciation expense was approximately $1.1 million and $1.3 million, for the six months ended June 30, 2019 and 2018, respectively.

10. Goodwill, In-Process Research and Development and Intellectual Property

Goodwill

Goodwill of $93.8 million was recorded in connection with the Merger, as described in Note 1, goodwill of $38.3 million was recorded in connection with the Senhance Acquisition, as described in Note 3, and goodwill of $9.6 million was recorded in connection with the MST Acquisition, as described in Note 3. The carrying value of goodwill and the change in the balance for the six months ended June 30, 2019 is as follows:

	Goodwill
	(In thousands) (unaudited)
Balance at December 31, 2018	$80,131
Foreign currency translation impact	(227)
Balance at June 30, 2019	$79,904

Accumulated impairment of goodwill as of June 30, 2019 and December 31, 2018 was $61.8 million.

No impairment was recorded during the six months ended June 30, 2019 or 2018.

In-Process Research and Development

As described in Note 3, on October 31, 2018, the Company acquired the MST assets, technology and business from MST and recorded $10.6 million of IPR&D. The estimated fair value of the IPR&D was determined using a probability-weighted income approach, which discounts expected future cash flows to present value. The projected cash flows were based on certain key assumptions, including estimates of future revenue and expenses, taking into account the stage of development of the technology at the acquisition date and the time and resources needed to complete development. The Company used a discount rate of 15% and cash flows that have been probability adjusted to reflect the risks of product integration, which the Company believes are appropriate and representative of market participant assumptions.

The carrying value of the Company's IPR&D assets and the change in the balance for the six months ended June 30, 2019 is as follows:

	In-Process Research and Development (In thousands) (unaudited)
Balance at December 31, 2018	$ 10,747
Foreign currency translation impact	(80)
Balance at June 30, 2019	$ 10,667

Intellectual Property

As described in Note 3, on September 21, 2015, the Company acquired all of the developed technology related to the Senhance System and recorded $48.5 million of intellectual property. The estimated fair value of the intellectual property was determined using a probability-weighted income approach, which discounts expected future cash flows to present value. The projected cash flows were based on certain key assumptions, including estimates of future revenue and expenses, taking into account the stage of development of the technology at the acquisition date and the time and resources needed to complete development. The Company used a discount rate of 45% and cash flows that have been probability adjusted to reflect the risks of product commercialization, which the Company believes are appropriate and representative of market participant assumptions.

As described in Note 3, on September 21, 2015, the Company acquired all of the assets related to the Senhance System and recorded $17.1 million of IPR&D. The estimated fair value of the IPR&D was determined using a probability-weighted income approach, which discounts expected future cash flows to present value. The projected cash flows were based on certain key assumptions, including estimates of future revenue and expenses, taking into account the stage of development of the technology at the acquisition date and the time and resources needed to complete development. The Company used a discount rate of 45% and cash flows that have been probability adjusted to reflect the risks of product commercialization, which the Company believes are appropriate and representative of market participant assumptions. On October 13, 2017, upon regulatory approval and the ability to commercialize the products associated with the IPR&D assets, the assets were deemed definite-lived, reclassified to intellectual property and are now being amortized based on their estimated useful lives.

The components of gross intellectual property, accumulated amortization, and net intellectual property as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019 (In thousands) (unaudited)				December 31, 2018 (In thousands)			
	Gross Carrying Amount	Accumulated Amortization	Foreign currency translation impact	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Foreign currency translation impact	Net Carrying Amount
Developed technology	$ 66,413	$ (35,725)	$ 3,168	$ 33,856	$ 66,413	$ (30,550)	$ 3,495	$ 39,358
Technology and patents purchased	400	(93)	27	334	400	(72)	30	358
Total intellectual property	$ 66,813	$ (35,818)	$ 3,195	$ 34,190	$ 66,813	$ (30,622)	$ 3,525	$ 39,716

The weighted average remaining useful life of the developed technology and technology and patents purchased was 3.3 years and 7.8 years, respectively as of June 30, 2019. The weighted average remaining useful life of the developed technology and technology and patents purchased was 3.8 years and 8.3 years, respectively as of December 31, 2018.

11. Income Taxes

Income taxes have been accounted for using the asset and liability method in accordance with ASC 740 "Income Taxes". The Company computes its interim provision for income taxes by applying the estimated annual effective tax rate method. The Company estimates an annual effective tax rate of 4.3% for the year ending December 31, 2019. This rate does not include the impact of any discrete items. The Company incurred losses for the six month period ended June 30, 2019 and is forecasting additional losses through the year, resulting in an estimated net loss for both financial statement and tax purposes for the year ending December 31, 2019. Due to the Company's history of losses, there is not sufficient evidence to record a net deferred tax asset associated with the U.S., Luxembourg, Swiss, and Asian operations. Accordingly, a full valuation allowance has been recorded related to the net deferred tax assets in those jurisdictions. The Swiss jurisdiction has indefinite-lived intangibles that create deferred tax liabilities which cannot be offset against the deferred tax assets, resulting in a net deferred tax liability recorded in that jurisdiction. There is no net deferred tax asset recorded in relation to TransEnterix Italia and accordingly no valuation allowance has been recorded in that jurisdiction. The deferred tax benefit during the six months ended June 30, 2019 and 2018, was approximately $1.5 million and $1.8 million, respectively. The Israeli jurisdiction was profitable through June 30, 2019 and is projected to be profitable for the year ending December 31, 2019. Consequently, $0.03 million of current tax expense was recorded during the six months ended June 30, 2019 for this jurisdiction.

The Company's effective tax rate for each of the six month periods ended June 30, 2019 and 2018 was 3.4% and 4.8%, respectively. At June 30, 2019, the Company had no unrecognized tax benefits that would affect the Company's effective tax rate.

The Tax Legislation subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. Because the Company was evaluating the provision of GILTI as of December 31, 2017, no GILTI-related deferred amounts were recorded in 2017. The Company has elected to account for GILTI in the year the tax is incurred. The Company does not expect a GILTI inclusion for 2018 or 2019; no GILTI tax has been recorded for the six months ending June 30, 2019 or 2018.

12. Accrued Expenses

The following table presents the components of accrued expenses:

	June 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Compensation and benefits	$ 2,731	$ 6,225
Consulting and other vendors	2,188	895
Other	610	539
Lease liability	1,033	—
Royalties	539	498
Legal and professional fees	311	432
Deferred rent	—	391
Taxes and other assessments	519	383
Interest	251	256
Total	$ 8,182	$ 9,619

13. Notes Payable

On May 23, 2018, the Company and its domestic subsidiaries, as co-borrowers, entered into a Loan and Security Agreement (the "Hercules Loan Agreement") with several banks and other financial institutions or entities from time to time party to the Loan Agreement (collectively, the "Lender") and Hercules Capital, Inc., as administrative agent and collateral agent (the "Agent"). Under the Hercules Loan Agreement, the Lender agreed to make certain term loans to the Company in the aggregate principal amount of up to $40.0 million, with funding of the first $20.0 million tranche occurring on May 23, 2018 (the "Initial Funding Date"). On October 23, 2018, the Lender funded the second tranche of $10.0 million under the Hercules Loan Agreement. The Company is entitled to make interest-only payments until December 1, 2020, and at the end of the interest-only period, the Company will be required to repay the term loans over an eighteen-month period based on an eighteen-month amortization schedule, with a final maturity date of June 1, 2022. The term loans will be required to be repaid if the term loans are accelerated following an event of default.

Effective April 30, 2019, the Hercules Loan Agreement was amended (the “Hercules Amendment”) to eliminate the availability of the Tranche III Loan facility, add a new Tranche IV Loan facility of up to $20.0 million, revise certain financial covenants and make other changes. The availability of advances under the Tranche IV Loan is not milestone-based, rather the Company could request advances in minimum $5.0 million increments at any time during the period from July 1, 2019 through December 31, 2020, subject to the funding discretion of the Lender. The monthly trailing six month net revenue financial covenant was amended to be tested quarterly and to change the projected net revenue percentage to be met for the six months ending on the last day of each fiscal quarter. If such quarterly financial covenant is not achieved as of the last day of any fiscal quarter, as tested on the thirtieth day after quarter end, the Company must comply with the waiver conditions in the Hercules Amendment from such test date until the next quarterly test date. As of June 30, 2019, the Company did not meet the financial covenant related to actual net revenue as compared to projected net revenue, but did meet the applicable 2019 fiscal year waiver condition of maintenance of unrestricted cash, which includes short-term investments, equal to the term loan balances and a market capitalization of at least $250 million. Therefore, the Company was in compliance with its debt covenants or related waiver conditions, as set forth in the Hercules Amendment, as of June 30, 2019. The Hercules Amendment was executed by the parties on May 7, 2019. The Amendment was treated as a debt modification for accounting purposes.

The term loans bear interest at a rate equal to the greater of (i) 10.05% per annum (the “Fixed Rate”) and (ii) the Fixed Rate plus the prime rate (as reported in The Wall Street Journal) minus 5.00%. On the Initial Funding Date, the Company was obligated to pay a facility fee of $0.4 million, recorded as a debt discount. The Company also incurred other debt issuance costs totaling $1.1 million in conjunction with its entry into the Hercules Loan Agreement. In addition, the Company is permitted to prepay the term loans in full at any time, with a prepayment fee of 3.0% of the outstanding principal amount of the loan in the first year after the Initial Funding Date, 2.0% if the prepayment occurs in the second year after the Initial Funding Date and 1.0% thereafter. Upon prepayment of the term loans in full or repayment of the terms loans at the maturity date or upon acceleration, the Company is required to pay a final fee of 6.95% of the aggregate principal amount of term loans funded. The final payment fee is accreted to interest expense over the life of the term loan and included within notes payable on the consolidated balance sheet.

The Company’s obligations under the Hercules Loan Agreement are guaranteed by all current and future material foreign subsidiaries of the Company and are secured by a security interest in all of the assets of the Company and their current and future domestic subsidiaries and all of the assets of their current and future material foreign subsidiaries, including a security interest in the intellectual property. The Hercules Loan Agreement contains customary representations and covenants that, subject to exceptions, restrict the Company’s and its subsidiaries’ ability to do the following, among other things: declare dividends or redeem or repurchase equity interests; incur additional indebtedness and liens; make loans and investments; engage in mergers, acquisitions, and asset sales; transact with affiliates; undergo a change in control; add or change business locations; and engage in businesses that are not related to its existing business. Under the terms of the Hercules Loan Agreement, the Company is required to maintain cash and/or investment property in accounts which perfect the Agent’s first priority security interest in such accounts in an amount equal to the lesser of (i) (x) 120% of the then-outstanding principal balance of the term loans, including accrued interest and any other fees payable under the agreement to the extent accrued and payable plus (y) an amount equal to the then-outstanding accounts payable of the Company on a consolidated basis that are more than 90 days past due and (ii) 80% of the aggregate cash of the Company and its consolidated subsidiaries. As of June 30, 2019, the Company was in compliance with its debt covenants. The Agent is granted the option to invest up to $2.0 million in any future equity offering broadly marketed by the Company to investors on the same terms as the offering to other investors.

In connection with its entrance into the Hercules Loan Agreement, the Company repaid its existing loan and security agreement (the “Innovatus Loan Agreement”) with Innovatus Life Sciences Lending Fund I, LP (“Innovatus”). The Company recognized a loss of $1.4 million on the extinguishment of notes payable which is included in interest expense on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2018. The Company paid $0.7 million in final payment obligations and $0.3 million in prepayment fees under the Innovatus Loan Agreement upon repayment.

Under the Innovatus Loan Agreement, entered into on May 10, 2017, Innovatus agreed to make certain term loans in the aggregate principal amount of up to $17.0 million. Funding of the first $14.0 million tranche occurred on May 10, 2017.

The Innovatus Loan Agreement allowed for interest-only payments for up to twenty-four months at a fixed rate equal to 11% per annum, of which 2.5% could be paid in-kind and added to the outstanding principal amount of the term loans until the earlier of (i) the first anniversary following the funding date and (ii) the Company’s failure to achieve an Interest-Only Milestone. At the end of the interest-only period, the Company would be required to repay the term loans over a two-year period, based on a twenty-four (24) month amortization schedule, with a final maturity date of May 10, 2021.

In connection with the Innovatus funding, the Company paid a facility fee of $0.2 million on the date of funding of the first tranche and incurred additional debt issuance costs of approximately $1.2 million, recorded as a debt discount. In addition, the Company issued warrants to Innovatus to purchase shares of the Company's common stock that will expire five (5) years from such issue date. The warrants issued in connection with funding of the first tranche entitle Innovatus to purchase up to 1,244,746 shares of the Company's common stock at an exercise price of $1.00 per share. The Company estimated the fair value of the warrants to be $0.3 million. The value of the warrants was classified as equity and recorded as a discount to the loan. The debt discount was amortized as interest expense using the effective interest method over the life of the loan. As of December 31, 2018, the unamortized debt discount was $0.

14. Warrants

The following table summarizes the change in warrants for the six months ended June 30, 2019:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Weighted Average Fair Value
Outstanding at December 31, 2018	4,329,437	1.03	3.7	0.26
Exercised	(200,000)	1.00	8.2	—
Expired	—	—	—	—
Outstanding at June 30, 2019	4,129,437	1.03	3.0	0.22

15. At-The-Market Offering

On December 28, 2018, the Company entered into an At-the-Market Equity Offering Sales Agreement (the "2018 Sales Agreement") with Stifel, as sales agent, pursuant to which the Company can sell through Stifel, from time to time, up to $75.0 million in shares of common stock in an at-the-market offering. All sales of shares will be made pursuant to an effective shelf registration statement on Form S-3 filed with the SEC. The Company pays Stifel a commission of approximately 3% of the aggregate gross proceeds received from all sales of common stock under the 2018 Sales Agreement. Unless otherwise terminated earlier, the 2018 Sales Agreement continues until all shares available under the Sales Agreement have been sold or termination of the 2018 Sales Agreement by the Company or by Stifel. As of June 30, 2019, there were no sales of common stock under the 2018 Sales Agreement.

16. Basic and Diluted Net Loss per Share

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed giving effect to all dilutive potential common shares that were outstanding during the period. Diluted potential common shares consist of incremental shares issuable upon exercise of stock options, warrants and restricted stock units.

For the three and six month periods ended June 30, 2019, the effect of outstanding warrants is reflected in diluted net loss per common share by applying the treasury stock method resulting in 1.1 million and 1.4 million incremental shares that were included in the weighted average number of commons shares used in the diluted net loss per common share calculation for the three months and six months ended June 30, 2019, respectively. Additionally, the gain on the fair value of warrant liabilities of $2.5 million and $2.4 million for the three and six month periods ended June 30, 2019, respectively, increased the net loss attributable to common stockholders in calculating diluted net loss per common share.

No adjustments have been made to the weighted average outstanding common shares figures for the three and six months periods ended June 30, 2018.

As of June 30, 2019, there were 25,884,445 outstanding options, 1,400,352 outstanding warrants, and 6,191,419 unvested restricted stock units that were excluded from the calculation of diluted net loss per common share as the effect of including these instruments would have been anti-dilutive.

17. Commitments and Contingencies

Contingent Consideration

As discussed in Note 3, in September 2015, the Company completed the Senhance Acquisition using a combination of cash, stock and potential post-acquisition milestone payments. These milestone payments may be payable in the future, depending on the achievement of certain commercial milestones. On December 30, 2016, the Company entered into an Amendment to restructure the terms of the Second Tranche of the Cash Consideration. Under the Amendment, the Second Tranche was restructured to reduce the contingent cash consideration by €5.0 million in exchange for the issuance of 3,722,685 shares of the Company's common stock with an aggregate fair market value of €5.0 million. As of June 30, 2019 and December 31, 2018, the fair value of the contingent consideration was $12.6 million and $10.6 million, respectively.

Legal Proceedings

No liability or related charge was recorded to earnings in the Company's consolidated financial statements for legal contingencies for the six months ended June 30, 2019 or the year ended December 31, 2018.

18. Subsequent Events

Sale of Intellectual Property

On July 3, 2019, the Company entered into an AutoLap System Sale Agreement (the "AutoLap Sale Agreement") with GBIL. Pursuant to the AutoLap Sale Agreement, the Company sold the AutoLap laparoscopic vision system ("AutoLap") and related assets to GBIL for $17.0 million plus an additional equity investment in the Company by GBIL of $30.0 million . The Company acquired AutoLap and its related assets from MST in October 2018. The assets include inventory, spare parts, production equipment, testing equipment and certain intellectual property specifically related to the AutoLap. In addition, at the second cosing, the Company will enter into a cross-license agreement with GBIL to retain rights to use any AutoLap-related intellectual property sold to GBIL, and to non-exclusively license additional intellectual property to GBIL.

The purchase price is to be paid in two installments. The initial $5.0 million was due on July 31, 2019 but as of the date of this filing, has not been received, and the remaining $12.0 million to be paid upon the transfer of the AutoLap and related assets. The Company cannot currently predict when the $5.0 million payment will be made. The final closing is anticipated to occur in November 2019. In addition, GBIL agreed to pay $30.0 million for the purchase of 15,000,000 shares of the Company's common stock at $2.00 per share (the "AutoLap Shares"). Pursuant to a Subscription Agreement executed by the parties with respect to the issuance of the AutoLap Shares, upon their issuance, the AutoLap Shares will be subject to a lock-up agreement between GBIL and the Company pursuant to which GBIL agreed, subject to certain exceptions, not to sell, transfer or otherwise convey any of the AutoLap Shares for two years following the date of the second closing. The Company also agreed to register the AutoLap Shares for resale, as needed, upon the expiration of the lock-up period.

Amendment to the Loan and Security Agreement

In connection with the entry into the AutoLap Sale Agreement with respect to the AutoLap assets, the Company commenced discussions with the Agent, or Hercules Capital, Inc., in order to obtain the required consent of the Agent and the Lender with respect to the sale of the AutoLap assets. In connection with obtaining such consent, the Company entered into the Consent and Second Amendment to the Loan and Security Agreement on July 10, 2019 (the "Hercules Second Amendment"). Under the Hercules Second Amendment, in consideration for the consent to the sale of, and the release of the Lender's security interest on, the AutoLap assets, the Company reduced its indebtedness under the Hercules Loan Agreement by repaying $15.0 million of the $30.0 million of outstanding indebtedness thereunder, without any prepayment penalties, amendment fee or acceleration of the end of term charges, and received adjustments to the quarterly financial covenants and related waiver conditions to reflect the decreased outstanding indebtedness.

Under the Hercules Second Amendment, the applicable waiver condition for fiscal year 2019 has been changed to maintenance of unrestricted cash equal to $7.0 million. As of the date of this report, the Company is in compliance with this waiver condition.

Additional Consideration Shares to MST

On August 7, 2019, the Company notified MST hat the Company would satisfy the payment of additional consideration of $6.6 million due to MST under the MST Purchase Agreement by issuing shares of TransEnterix stock, as permitted by the MST Purchase Agreement. The number of shares issued to be issued to MST as the additional consideration is 4,815,504 (the "Additional Consideration Shares"). In accordance with Section 2.3.6 of the MST Purchase Agreement, the number of Additional Consideration Shares was calculated based on the volume-weighted average of the closing prices of the TransEnterix Stock as quoted on the NYSE American for the ninety (90) day period ended August 6, 2019.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes to our consolidated financial statements included in this report. The following discussion contains forward-looking statements. See cautionary note regarding "Forward-Looking Statements" at the beginning of this report.

Overview

TransEnterix is a medical device company that is digitizing the interface between the surgeon and the patient in laparoscopy to increase control and reduce surgical variability in today's value-based healthcare environment. The Company is focused on the commercialization of the Senhance™ System, that digitizes laparoscopic minimally invasive surgery. The Senhance System allows for robotic precision, haptic feedback, surgeon camera control via eye sensing and improved ergonomics while offering responsible economics.

The Senhance System has a CE Mark in Europe for laparoscopic abdominal and pelvic surgery, as well as limited thoracic operations excluding cardiac and vascular surgery. On October 13, 2017, the Company received 510(k) clearance from the FDA for use of the Senhance System in laparoscopic colorectal and gynecologic surgery. These indications cover 23 procedures, including benign and oncologic procedures. In May 2018, the indications for use expanded when the Company received 510(k) clearance from the FDA for use of the Senhance System in laparoscopic inguinal hernia and laparoscopic cholecystectomy (gallbladder removal) surgery for a total of 28 indicated procedures. The Senhance System is available for sale in the U.S., the EU, Japan, Taiwan and select other countries.

The Senhance System is a multi-port robotic surgery system that allows multiple robotic arms to control instruments and a camera. The system features advanced technology to enable surgeons with haptic feedback and the ability to move the camera via eye movement.

On October 31, 2018, the Company acquired the assets, intellectual property and highly experienced multidisciplinary personnel of MST Medical Surgical Technologies, Inc., or MST, an Israeli-based medical device company. Through this acquisition, the Company acquired MST's AutoLap™ technology, one of the only image-guided robotic scope positioning systems with FDA clearance and CE Mark. The Company believes MST's image analytics technology will accelerate and drive meaningful Senhance System developments, and allow it to expand the Senhance System to add augmented, intelligent vision capability. On July 3, 2019, the Company announced the sale of the AutoLap assets.

During 2018 and early 2019, the Company successfully obtained FDA clearance and CE Mark for 3 millimeter diameter instruments and its Senhance ultrasonic system. The 3 millimeter instruments enable the Senhance System to be used for microlaparoscopic surgeries, allowing for tiny incisions, and the ultrasonic system is an advanced energy device used to deliver controlled energy to ligate and divide tissue, while minimizing thermal injury to surrounding structures.

The Company has also developed the SurgiBot System, a single-port, robotically enhanced laparoscopic surgical platform. In December 2017, the Company entered into an agreement with Great Belief International Limited, or GBIL, to advance the SurgiBot System towards global commercialization. The agreement transferred ownership of the SurgiBot System assets, while the Company retained the option to distribute or co-distribute the SurgiBot System outside of China. GBIL intends to have the SurgiBot System manufactured in China and obtain Chinese regulatory clearance from the China Food and Drug Administration while entering into a nationwide distribution agreement with China National Scientific and Instruments and Materials Company for the Chinese market. The agreement provides the Company with proceeds of at least $29 million, of which $15 million has been received to date. The remaining $14.0 million, representing minimum royalties, will be paid beginning at the earlier of receipt of Chinese regulatory approval or March 2023.

The Company believes that future outcomes of minimally invasive laparoscopic surgery will be enhanced through its combination of more advanced tools and robotic functionality, that are designed to: (i) empower surgeons with improved precision, dexterity and visualization; (ii) improve patient satisfaction and enable a desirable post-operative recovery; and (iii) provide a cost-effective robotic system, compared to existing alternatives today, for a wide range of clinical indications.

From our inception, we devoted a substantial percentage of our resources to research and development and start-up activities, consisting primarily of product design and development, clinical studies, manufacturing, recruiting qualified personnel and raising capital.

Since inception, we have been unprofitable. As of June 30, 2019, we had an accumulated deficit of $552.1 million.

We expect to continue to invest in research and development and sales and marketing and increase selling, general and administrative expenses as we grow. As a result, we will need to generate significant revenue in order to achieve profitability.

We operate in one business segment.

Debt Refinancing

On May 23, 2018, the Company and its domestic subsidiaries, as co-borrowers, entered into a Loan and Security Agreement, or the Hercules Loan Agreement, with several banks and other financial institutions or entities from time to time party to the Hercules Loan Agreement, collectively, the Lender, and Hercules Capital, Inc., as administrative agent and collateral agent, or the Agent. Under the

Hercules Loan Agreement, the Lender agreed to make certain term loans to the Company in the aggregate principal amount of up to $40.0 million, with funding of the first $20.0 million tranche occurring on May 23, 2018, or the Initial Funding Date. On October 23, 2018, the Lender funded the second tranche of $10.0 million under the Hercules Loan Agreement. The Company is entitled to make interest-only payments until December 1, 2020, and at the end of the interest-only period, the Company will be required to repay the term loans over an eighteen-month period based on an eighteen-month amortization schedule, with a final maturity date of June 1, 2022. The term loans will be required to be repaid if the term loans are accelerated following an event of default. Effective April 30, 2019, the Hercules Loan Agreement was amended, or the Hercules Amendment, to eliminate the availability of the Tranche III loan facility, add a new Tranche IV loan facility of up to $20 million, revise certain financial covenants and make other changes. In connection with the entry into the AutoLap Sale Agreement, the Company commenced discussions with the Agent in order to obtain the required consent of the Agent and the Lender. In connection with obtaining such consent, the Company entered into the Consent and Second Amendment to the Loan and Security Agreement on July 10, 2019, the Hercules Second Amendment. Under the Hercules Second Amendment, in consideration for the consent to the sale of, and the release of the Lender's security interest on, the AutoLap assets, the Company reduced its indebtedness under the Hercules Loan Agreement by repaying $15 million of the $30 million of outstanding indebtedness thereunder, without any prepayment penalties, amendment fee or acceleration of the end of term charges, and received adjustments to the quarterly financial covenants and related waiver conditions to reflect the decreased outstanding indebtedness. The Company was in compliance with its debt covenants or related waiver conditions, as set forth in the Hercules Amendment, as of June 30, 2019.

The term loans bear interest at a rate equal to the greater of (i) 10.05% per annum, or the Fixed Rate, and (ii) the Fixed Rate plus the prime rate (as reported in The Wall Street Journal) minus 5.0%. On the Initial Funding Date, the Company was obligated to pay a facility fee of $0.4 million. In addition, the Company is permitted to prepay the term loans in full at any time, with a prepayment fee of 3.0% of the outstanding principal amount of loan in the first year after the Initial Funding Date, 2.0% if the prepayment occurs in the second year after the Initial Funding Date and 1.0% thereafter. Upon prepayment of the term loans in full or repayment of the terms loans at the maturity date or upon acceleration, the Company is required to pay a final fee of 6.95% of the aggregate principal amount of term loans funded.

The Company's obligations under the Hercules Loan Agreement are guaranteed by all current and future material foreign subsidiaries of the Company and are secured by a security interest in all of the assets of the Company and their current and future domestic subsidiaries and all of the assets of their current and future material foreign subsidiaries, including a security interest in the intellectual property. The Hercules Loan Agreement contains customary representations and covenants that, subject to exceptions, restrict the Company's and its subsidiaries' ability to do the following, among things: declare dividends or redeem or repurchase equity interests; incur additional indebtedness and liens; make loans and investments; engage in mergers, acquisitions, and asset sales; transact with affiliates; undergo a change in control; add or change business locations; and engage in businesses that are not related to its existing business. Under the terms of the Hercules Loan Agreement, the Company is required to maintain cash and/or investment property in accounts which perfect the Agent's first priority security interest in such accounts in an amount equal to the lesser of (i) (x) 120% of the then-outstanding principal balance of the term loans, including accrued interest and any other fees payable under the agreement to the extent accrued and payable plus (y) an amount equal to the then-outstanding accounts payable of the Company on a consolidated basis that are more than 90 days past due and (ii) 80% of the aggregate cash of the Company and its consolidated subsidiaries. The Agent is granted the option to invest up to $2.0 million in any future equity offering broadly marketed by the Company to investors on the same terms as the offering to other investors.

In connection with its entrance into the Hercules Loan Agreement, the Company repaid its existing credit facility with Innovatus Life Sciences Lending Fund I, LP, or Innovatus, entered into on May 10, 2017, which loan and security agreement is referred to as the Innovatus Loan Agreement. For a description of the Innovatus Loan Agreement, see "Notes to Consolidated Financial Statements (Unaudited)– Note. 13. Notes Payable," and incorporated by reference herein.

Public Offering of Units

On April 28, 2017, we entered into an underwriting agreement with Stifel, Nicolaus & Company, Incorporated, or the Underwriter, relating to an underwritten public offering of an aggregate of 24,900,000 Units, each consisting of one share of the Company's Common Stock, a Series A Warrant to purchase one share of Common Stock and a Series B Warrant to purchase 0.75 shares of Common Stock at an offering price to the public of $1.00 per Unit. Certain of the Company's officers, directors and existing stockholders purchased approximately $2.5 million of Units in the public offering. The closing of the public offering occurred on May 3, 2017.

Each Series A Warrant had an initial exercise price of $1.00 per share and was able to be exercised at any time beginning on the date of issuance, and from time to time thereafter, through and including the first anniversary of the issuance date, unless terminated earlier as provided in the Series A Warrant. Receipt of 510(k) clearance for the Senhance System on October 13, 2017, triggered the acceleration of the expiration date of the Series A Warrants to October 31, 2017. As of December 31, 2017, all of the Series A Warrants had been exercised.

Each Series B Warrant has an initial exercise price of $1.00 per share and may be exercised at any time beginning on the date of issuance and from time to time thereafter through and including the fifth anniversary of the issuance date, or by May 3, 2022. As of June 30, 2019, Series B Warrants representing approximately 15.9 million shares had been exercised.

The exercise prices and the number of shares issuable upon exercise of the outstanding Series B Warrants are subject to adjustment upon the occurrence of certain events, including, but not limited to, stock splits or dividends, business combinations, sale of assets, similar recapitalization transactions, or other similar transactions. The Series B Warrants are subject to adjustment in the event that the Company issues or is deemed to issue shares of common stock for less than the then applicable exercise price of the Series B Warrants. The exercisability of the Series B Warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of our common stock. If, at any time Series B Warrants are outstanding, any fundamental transaction occurs, as described in the Series B Warrants and generally including any consolidation or merger into another corporation, the consummation of a transaction whereby another entity acquires more than 50% of the Company's outstanding voting stock, or the sale of all or substantially all of its assets, the successor entity must assume in writing all of the obligations to the Series B Warrant holders. Additionally, in the event of a fundamental transaction, each Series B Warrant holder will have the right to require the Company, or its successor, to repurchase the Series B Warrants for an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of such Series B Warrants.

The underwriting agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Underwriter, including for liabilities under the Securities Act of 1933, as amended, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the underwriting agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the contracting parties.

The net proceeds to the Company from the offering were approximately $23.2 million, prior to any exercise of the Series A Warrants or Series B Warrants, after deducting underwriting discounts and commissions and estimated offering expenses paid by the Company. The net proceeds to the Company from the exercise of all of the Series A Warrants and the Series B Warrants exercised prior to June 30, 2019 were approximately $37.6 million.

The Units were issued pursuant to a prospectus supplement dated April 28, 2017 and an accompanying base prospectus dated June 22, 2016 that form a part of the registration statement on Form S-3 that the Company filed with the SEC on November 7, 2014 and was declared effective on December 19, 2014 (File No. 333-199998), and post-effectively amended pursuant to Post-Effective Amendment No. 1 on Form S-3, as filed with the SEC on March 8, 2016 and declared effective on June 22, 2016 and a related registration statement filed pursuant to Rule 462(b) promulgated under the Securities Act of 1933.

On December 15, 2017, we filed a registration statement on Form S-3 (File No. 333-222103) to register shares of common stock underlying outstanding Series B Warrants previously issued as part of the Company's May 3, 2017 public offering. The new registration statement replaced the registration statement on Form S-3 that expired on December 19, 2017 with respect to these securities. On January 26, 2018, we filed an Amendment No. 1 to such registration statement on Form S-3 to update the information, in the registration statement. The registration statement covers up to 9,579,884 shares of common stock underlying the outstanding Series B Warrants. This registration statement on Form S-3 was declared effective on January 29, 2018.

At-the-Market Offering

On December 28, 2018, we entered into an At-the-Market Equity Offering Sales Agreement, or the 2018 Sales Agreement with Stifel, under which we could offer and sell, through Stifel, up to approximately $75.0 million in shares of common stock in an at-the-market offering, or the 2018 ATM Offering. All sales of shares will be made pursuant to an effective shelf registration statement on Form S-3 filed with the SEC. We will pay Stifel a commission of approximately 3% of the aggregate gross proceeds received from all sales of common stock under the 2018 Sales Agreement. Unless otherwise terminated earlier, the 2018 Sales Agreement continues until all shares available under the Sales Agreement have been sold or termination of the 2018 Sales Agreement by the Company or by Stifel. As of June 30, 2019, there were no sales of common stock under the 2018 ATM Offering.

MST Acquisition and Related Transactions

Purchase Agreement

On September 23, 2018, the Company entered into an Asset Purchase Agreement, or the MST Purchase Agreement, with MST Medical Surgery Technologies Ltd., an Israeli private company, or the Seller, and two of the Company's wholly owned subsidiaries, as purchasers of the assets of the Seller, including the intellectual property assets, collectively, the Buyers. The closing of the transactions contemplated by the MST Purchase Agreement occurred on October 31, 2018, pursuant to which the Company acquired the Seller's assets consisting of intellectual property and tangible assets related to surgical analytics with its core image analytics technology designed to empower and automate the surgical environment, with a focus on medical robotics and computer-assisted surgery. The core technology acquired under the MST Purchase Agreement is a software-based image analytics information platform powered by advanced visualization, scene recognition, artificial intelligence, machine learning and data analytics.

Under the terms of the MST Purchase Agreement, at the closing the Buyers purchased substantially all of the assets of the Seller. The acquisition price consisted of two tranches. At or prior to the closing of the transaction the Buyers paid $5.8 million in cash and the Company issued 3.15 million shares of the Company's common stock. A second tranche of $6.6 million in additional consideration will be payable in cash, stock or cash and stock, at the discretion of the Company, within one year after the closing date.

On July 3, 2019, the Company entered into a System Sale Agreement, or AutoLap Sale Agreement, with Great Belief International Ltd., or GBIL. Pursuant to the AutoLap Sale Agreement, the Company sold the AutoLap laparoscopic vision system and related assets, or the AutoLap Assets, to GBIL for $17.0 million, plus an additional equity investment in the Company by GBIL of $30.0 million. The Company had acquired the AutoLap assets from MST in October 2018. The assets include inventory, spare parts, production equipment, testing equipment and certain intellectual property specifically related to the AutoLap. In addition, the Company will enter into a cross-license agreement with GBIL to retain rights to use any AutoLap-related intellectual property sold to GBIL, and to non-exclusively license additional intellectual property to GBIL.

The purchase price is to be paid in two installments. The initial payment of $5.0 million, due on July 31, 2019, but, as of the date of this filing, has not been received, and the remaining $12.0 million is due to be paid upon the transfer of the AutoLap and related assets. The Company cannot currently predict when the $5.0 million will be paid. The final closing is anticipated to occur in November 2019. In addition, GBIL agreed to pay $30.0 million for the purchase of 15,000,000 shares of the Company's common stock at $2.00 per share (the "AutoLap Shares").

The AutoLap Sale Agreement contains customary representations and warranties of the parties, including consent of the Company's Lender to the transfer of the AutoLap assets, and the parties have customary indemnification obligations, which are subject to certain limitations described further in the Sale Agreement.

Registration Rights and Lock-Up Agreements

In connection with the closing under the MST Purchase Agreement, (or the "MST Acquisition"), the Company and the Seller entered into a Lock-Up Agreement, dated October 31, 2018, pursuant to which the Seller agreed, subject to certain exceptions, not to sell, transfer or otherwise convey any of the shares of Company common stock (the "Securities Consideration") for six months following the Closing Date. As of the date of this report, 50% of the Securities Consideration is free from the lock-up restrictions. For the remaining 50% of the Securities Consideration, the Lock-Up Agreement provides that an additional 25% of the Securities Consideration will be released from the lock-up restrictions on the twelve-month anniversary of the Closing Date and all of the Securities Consideration will be released from the lock-up restrictions on the eighteen-month anniversary of the Closing Date, or earlier upon certain other conditions. The Lock-Up Agreement further provides that the Seller may not sell, transfer or convey the additional consideration, if such additional consideration is paid in whole or in part through the issuance of shares of the Company's common stock, until after the six-month anniversary of the issuance of the Company's common stock as additional consideration, or earlier upon certain other conditions.

In connection with the MST Acquisition closing, the Company also entered into a Registration Rights Agreement, dated as of October 31, 2018, with the Seller, pursuant to which the Company agreed to register the Securities Consideration such that such Securities Consideration is eligible for resale following the end of the lock-up periods described above.

Senhance Acquisition and Related Transactions

Membership Interest Purchase Agreement and Amendment

On September 21, 2015, the Company announced that it had entered into a Membership Interest Purchase Agreement, dated September 18, 2015 with Sofar S.p.A., as the Seller, Vulcanos S.r.l., as the acquired company, and TransEnterix International, Inc., a wholly owned subsidiary of the Company as the Buyer. The closing of the transactions contemplated by the Purchase Agreement occurred on September 21, 2015. The Buyer acquired all of the membership interests of the acquired company from the Seller, and changed the name of the acquired company to TransEnterix Italia S.r.l. On the closing date, pursuant to the Purchase Agreement, the Company completed the strategic acquisition from Sofar S.p.A. of all of the assets, employees and contracts related to the advanced robotic system for minimally invasive laparoscopic surgery now known as the Senhance System, or the Senhance Acquisition.

Under the terms of the Purchase Agreement, the consideration consisted of the issuance of 15,543,413 shares of the Company's common stock, or the Securities Consideration, and approximately $25.0 million U.S. Dollars and €27.5 million Euro in cash consideration, or the Cash Consideration. The Securities Consideration was issued in full at closing of the acquisition; the Cash Consideration was or will be paid in four tranches, with U.S. $25.0 million paid at closing and the remaining Cash Consideration of €27.5 million to be paid in three additional tranches based on achievement of negotiated milestones. On December 30, 2016, the Company and Sofar entered into an Amendment to the Purchase Agreement to restructure the terms of the second tranche of the Cash Consideration. Under the Amendment, the second tranche was restructured to reduce the contingent cash consideration by €5.0 million in exchange for the issuance of 3,722,685 shares of the Company's common stock with an aggregate fair market value of €5.0 million, which were issued on January 4, 2017. The price per share was $1.404 and was calculated based on the average of the closing prices of the Company's common stock on ten consecutive trading days ending one day before the execution of the Amendment.

The issuance of the initial Securities Consideration was effected as a private placement of securities under Section 4(a)(2) of the Securities Act, and Regulation D promulgated thereunder. The issuance of the additional shares in January 2017 was made under an existing shelf registration statement on Form S-3.

As of June 30, 2019, the Company has paid all Cash Consideration due under the second tranche and approximately €2.4 million of the €2.5 million due under the fourth tranche. The fourth tranche of the Cash Consideration is payable in installments by December 31 of each year as reimbursement for certain debt payments made by Sofar under an existing Sofar loan agreement in such year.

The Purchase Agreement contains customary representations and warranties of the parties and the parties have customary indemnification obligations, which are subject to certain limitations described further in the Purchase Agreement.

Registration Rights

In connection with the Senhance Acquisition, we also entered into a Registration Rights Agreement, dated as of September 21, 2015, with the Seller, pursuant to which we agreed to register the Securities Consideration shares for resale following the end of the lock-up periods. The resale Registration Statement has been filed and is effective.

Results of Operations

Revenue

Our revenue consisted of product revenue resulting from the sale of Senhance Systems in Europe, Asia and the U.S., and related instruments, accessories and services for systems sold in the current and prior periods.

We expect to experience some unevenness in the number and trend, and average selling price, of units sold given the early stage of commercialization of our products.

Product and service revenue for the three months ended June 30, 2019 decreased to $3.6 million compared to $6.4 million for the three months ended June 30, 2018. The $2.8 million decrease was the result of one system sale during the three months ended June 30, 2019 as compared to four systems sold during the three months ended June 30, 2018. Revenue for the three months ended June 30, 2019 included $1.3 million from a prior year system sale that had deferred proceeds related to uncompleted performance obligations. The Company completed these performance obligations during the three months ended June 30, 2019.

Product and service revenue for the six months ended June 30, 2019 was $5.8 million compared to $11.2 million for the six months ended June 30, 2018. The $5.3 million difference was primarily the result of two systems sales during the six months ended June 30, 2019 as compared to six systems sold during the six months ended June 30, 2018. Revenue for the six months ended June 30, 2019 included $1.3 million from a prior year sale that had deferred proceeds related to uncompleted performance obligations. The Company completed these performance obligations during the six months ended June 30, 2019.

Cost of Revenue

Cost of revenue consists primarily of costs related to contract manufacturing, materials, and manufacturing overhead. We expense all inventory provisions as cost of revenue. The manufacturing overhead costs include the cost of quality assurance, material procurement, inventory control, facilities, equipment depreciation and operations supervision and management. We expect overhead costs as a percentage of revenues to become less significant as our production volume increases. We expect cost of revenue to increase in absolute dollars to the extent our revenues grow and as we continue to invest in our operational infrastructure to support anticipated growth.

Cost of revenue for the three months ended June 30, 2019 increased to $3.9 million as compared to $3.7 million for the three months ended June 30, 2018. During the three months ended June 30, 2019, the Company recorded $0.8 million charge for inventory obsolescence related to certain system components. Cost of revenue also saw increased employee related costs of $0.4 million over the prior year period due to increased head count, along with increased travel and product demo costs of $0.2 million, offset by costs related to reduced system sales of one during the three months ended June 30, 2019 as compared to four during the prior year period.

Cost of revenue for the six months ended June 30, 2019 increased to $6.4 million as compared to $6.3 million for the six months ended June 30, 2018. This increase over the prior year period was the result of increased head count, travel and product demo costs and manufacturing overhead, offset by a decrease in sales versus the prior year. During the six months ended June 30, 2019, the Company recorded $0.8 million charge for inventory obsolescence related to certain system components. Cost of revenue also saw increased employee related costs of $0.9 million over the prior year period due to increased head count, along with increased travel and product demo costs of $0.8 million, offset by costs related to reduced system sales of two during the six months ended June 30, 2019 as compared to six during the six months ended June 30, 2018.

Research and Development

Research and development, or R&D expenses primarily consist of engineering, product development and regulatory expenses incurred in the design, development, testing and enhancement of our products and legal services associated with our efforts to obtain and maintain broad protection for the intellectual property related to our products. In future periods, we expect R&D expenses to increase moderately as we continue to invest in new products, instruments and accessories to be offered with the Senhance System. We expense R&D costs as incurred.

R&D expenses for the three months ended June 30, 2019 increased 19% to $6.3 million as compared to $5.3 million for the three months ended June 30, 2018. The $1.0 million increase primarily relates to increased personnel related costs and increased supply costs of $0.8 million and $0.2 million, respectively.

R&D expenses for the six months ended June 30, 2019 increased 13% to $12.0 million as compared to $10.5 million for the six months ended June 30, 2018. The $1.5 million increase primarily relates to increased personnel related costs and increased travel costs of $1.3 million and $0.2 million, respectively.

Sales and Marketing

Sales and marketing expenses include costs for sales and marketing personnel, travel, demonstration product, market development, physician training, tradeshows, marketing clinical studies and consulting expenses. We expect sales and marketing expenses to continue to increase significantly in support of our Senhance System commercialization.

Sales and marketing expenses for the three months ended June 30, 2019 increased 30% to $7.9 million compared to $6.0 million for the three months ended June 30, 2018. The $1.9 million increase was primarily related to increased personnel costs of $1.3 million and increased travel related costs of $0.4 million.

Sales and marketing expenses for the six months ended June 30, 2019 increased 29% to $15.5 million compared to $12.0 million for the six months ended June 30, 2018. The $3.5 million increase was primarily related to increased personnel costs of $1.6 million and increased travel related expenses of $1.0 million, increased product demonstration and trade show costs of $0.4 million and an increase in outside services of $0.4 million as we increase our U.S. sales and marketing team following receipt of 510(k) clearance for the Senhance System.

General and Administrative

General and administrative expenses consist of personnel costs related to the executive, finance, legal and human resource functions, as well as professional service fees, legal fees, accounting fees, insurance costs, and general corporate expenses. In future periods, we expect general and administrative expenses to increase to support our sales, marketing, and research and development efforts.

General and administrative expenses for the three months ended June 30, 2019 increased 24% to $4.5 million compared to $3.6 million for the three months ended June 30, 2018. The $0.9 million increase was primarily due to increased personnel costs of $0.6 million and increased outsourced services expense of $0.2 million.

General and administrative expenses for the six months ended June 30, 2019 increased 44% to $9.0 million compared to $6.3 million for the six months ended June 30, 2018. The $2.7 million increase was primarily due to increased personnel costs of $1.7 million and increased outsourced services expense of $0.8 million. The increase primarily relates to increased support of sales, marketing, and research and development efforts as we shift to commercialization.

Loss (Gain) from Sale of SurgiBot Assets, Net

The loss from the sale of SurgiBot assets to GBIL of $0.1 million for the six months ended June 30, 2019 was primarily due to additional outside service costs to transfer the assets. The gain from the sale of SurgiBot assets, net of $12.0 million for the six months ended June 30, 2018, is further explained in the "Overview" section.

Amortization of Intangible Assets

Amortization of intangible assets for the three months ended June 30, 2019 decreased to $2.6 million compared to $2.7 million for the three months ended June 30, 2018. The $0.1 million decrease was primarily the result of foreign currency exchange rates.

Amortization of intangible assets for the six months ended June 30, 2019 decreased to $5.2 million compared to $5.6 million for the six months ended June 30, 2018. The $0.4 million decrease was primarily the result of foreign currency exchange rates.

Change in Fair Value of Contingent Consideration

The change in fair value of contingent consideration in connection with the Senhance Acquisition was a $1.0 million increase for the three months ended June 30, 2019 compared to a $0.8 million increase for the three months ended June 30, 2018. The $0.2 million increase was primarily due to the passage of time, a decrease in the discount rate used, and the impact of foreign currency exchange rates.

The change in fair value of contingent consideration in connection with the Senhance Acquisition was a $2.0 million increase for the six months ended June 30, 2019 compared to a $1.4 million increase for the six months ended June 30, 2018. The $0.6 million increase was primarily due to the passage of time on the fair value measurement, a decrease in the discount rate used, and the impact of foreign currency exchange rates.

Change in Fair Value of Warrant Liabilities

The change in fair value of Series B Warrants issued in April 2017 was a decrease of $2.5 million for the three months ended June 30, 2019 compared to an increase of $17.5 million for the three months ended June 30, 2018. The net $20.0 million decrease for the three months ended June 30, 2019 over the three months ended June 30, 2018 includes re-measurement associated with the warrants exercised during the quarters ended and the overall total number of outstanding warrants at June 30, 2019 and 2018. The re-measurement at June 30, 2019 was primarily the result of the difference in the stock price at March 31, 2019 versus June 30, 2019.

The change in fair value of Series B Warrants issued in April 2017 was a decrease of $2.4 million for the six months ended June 30, 2019 compared to an increase of $15.7 million for the six months ended June 30, 2018. The net $18.1 million decrease in change in fair value of warrant liabilities for the six months ended June 30, 2019 over the six months ended June 30, 2018 includes re-measurement associated with the warrants exercised during the six months ended June 30, 2019 and 2018, and the outstanding warrants at June 30, 2019. The re-measurement at June 30, 2019 was primarily the result of the difference in the stock price at December 31, 2018 versus June 30, 2019.

Interest Income

Interest income for the three months ended June 30, 2019 was $0.2 million compared to $0.3 million for the three months ended June 30, 2018. The net difference of $0.1 million was due to less cash on hand at June 30, 2019 earning less interest.

Interest income for the six months ended June 30, 2019 was $0.5 million compared to $0.6 million for the six months ended June 30, 2018. The net difference of $0.1 million was due to less cash on hand at June 30, 2019 earning less interest.

Interest Expense

Interest expense for the three months ended June 30, 2019 decreased to $1.1 million compared to $2.1 million for the three months ended June 30, 2018. The Company incurred a $1.4 million loss on extinguishment of debt, classified as interest expense, during the second quarter of 2018, and this loss was partially offset by interest incurred on the increased notes payable, accounting for the $1.0 million net decrease.

Interest expense for the six months ended June 30, 2019 decreased to $2.2 million compared to $2.7 million for the six months ended June 30, 2018. The Company incurred a $1.4 million loss on extinguishment of debt, classified as interest expense, during the second quarter of 2018, and this loss was partially offset by interest incurred on the increased notes payable, accounting for the $0.5 million decrease.

Income Tax Benefit

Income tax benefit consists primarily of taxes related to the amortization of purchase accounting intangibles in connection with the Italian taxing jurisdiction for TransEnterix Italia as a result of the acquisition of the Senhance System. We recognized $0.9 million and $1.5 million of income tax benefit for the three months and six months ended June 30, 2019, respectively, compared to $0.9 million and $1.8 million of income tax benefit for the same comparable three and six month periods of 2018.

Liquidity and Capital Resources

Going Concern

The Company's consolidated financial statements are prepared using U.S. GAAP applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. The Company had an accumulated deficit of $552.1 million as of June 30, 2019, and has working capital of $46.8 million as of June 30, 2019. The Company has not established sufficient sales revenues to cover its operating costs and requires additional capital to proceed with its operating plan. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. In order to continue as a going concern, the Company will need, among other things, additional capital resources.

Traditionally, the Company has raised additional capital through equity offerings. Management's plan to obtain such resources for the Company may include additional sales of equity, traditional financing, such as loans; entry into a strategic collaboration, entry into an out-licensing arrangement or provision of additional distribution rights in some or all of our markets. In addition, the Company may consider fundamental business combination transactions. If the Company is unable to obtain adequate capital through one of these methods, or if expected capital from existing agreements is not received when due, or at all, it would need to reduce its sales and marketing and administrative expenses and delay research and development projects, including the purchase of equipment and supplies, until it is able to obtain sufficient funds. If such sufficient funds are not received on a timely basis, the Company would then need to pursue a plan to license or sell its assets, seek to be acquired by another entity, cease operations and/or seek bankruptcy protection. However, management cannot provide any assurance that the Company will be successful in accomplishing any or all of its plans.

Sources of Liquidity

Our principal sources of cash to date have been proceeds from public offerings of common stock, private placements of common and preferred stock, incurrence of debt, the sale of equity securities held as investments and asset sales.

We currently have one effective shelf registration statement on file with the SEC, which registers up to $150.0 million of debt securities, common stock, preferred stock, or warrants, or any combination thereof for future financing transactions. The shelf registration statement was declared effective by the SEC on May 19, 2017. We have raised $50.0 million in gross proceeds and approximately $48.5 million in net proceeds under such shelf registration statement through the sale of all the shares available under the 2017 ATM Offering. On December 28, 2018, we entered into the 2018 Sales Agreement with Stifel, as sales agent, pursuant to which we can sell through Stifel, from time to time, up to $75.0 million in shares of common stock in an at-the-market offering under the shelf registration statement. As of June 30, 2019, no sales have transacted under the ATM, and the Company had $25.0 million available for future financings under such shelf registration statement.

As of June 30, 2019, the Company did not meet the financial covenant related to actual net revenue as compared to projected net revenue, but did meet the applicable 2019 fiscal year waiver condition of maintenance of unrestricted cash equal to the term loan balances and a market capitalization of at least $250 million. Under the Hercules Second Amendment, the applicable waiver condition for fiscal year 2019 has been changed to maintenance of unrestricted cash equal to $7.0 million. As of the date of this report, the Company is in compliance with this waiver condition. The Company is not eligible to incur additional debt under the Hercules Loan Agreement and must maintain compliance with the waiver condition continuously through 2019.

The Company has not yet received the initial $5.0 million due under the AutoLap Sales Agreement and is currently unable to predict the date this payment will be received. If GBIL does pay the $5.0 million in the third quarter 2019, the Company expects to receive a total $35.0 million by the end of the third quarter 2019. Management currently believes s that revenue from operations and receipt of the cash consideration under the AutoLap Sale Agreement will allow the Company to comply with the waiver condition through September 30, 2019.

At June 30, 2019, we had cash and cash equivalents, excluding restricted cash, of approximately $23.3 million.

Consolidated Cash Flow Data

(in millions)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net cash (used in) provided by		
Operating activities	$ (39.5)	$ (19.2)
Investing activities	41.9	4.2
Financing activities	—	16.0
Effect of exchange rate changes on cash and cash equivalents	—	(0.1)
Net increase in cash, cash equivalents and restricted cash	$ 2.4	$ 0.9

Operating Activities

For the six months ended June 30, 2019, cash used in operating activities of $39.5 million consisted of a net loss of $42.7 million and cash used for working capital of $9.1 million, offset by non-cash items of $11.5 million. The non-cash items primarily consisted of $6.3 million of stock-based compensation expense, $5.5 million of net amortization, $2.0 million change in fair value of contingent consideration, $1.1 million of depreciation, and $0.4 million interest expense on deferred consideration related to the MST acquisition, offset by a $2.4 million change in fair value of warrant liabilities and $1.5 million deferred income tax benefit. The decrease in cash from changes in working capital included $10.3 million increase in inventories, a $3.7 million increase in other current and long-term assets, and a $0.8 million decrease in deferred revenue, offset by an increase in accounts payable and accrued expenses of $1.0 million, and an increase in other long-term liabilities of $1.9 million, which was primarily the result of adoption of ASC 842, and cash provided from accounts receivable of $2.8 million.

For the six months ended June 30, 2018, cash used in operating activities of $19.2 million consisted of a net loss of $35.1 million decreased by cash used for working capital of $0.4 million and increased by non-cash items of $16.3 million. The non-cash items primarily consisted of $15.7 million change in fair value of warrant liabilities, $6.1 million of amortization, $4.2 million of stock-based compensation expense, $1.4 million loss on debt extinguishment, $1.4 million change in fair value of contingent consideration and $1.3 million of depreciation, offset by $12.0 million gain from sale of SurgiBot assets and $1.8 million deferred income tax benefit. The decrease in cash from changes in working capital included $1.6 million increase in inventories, $0.8 million increase in accounts receivable, $0.4 million decrease in accrued expenses, offset by $1.9 million decrease in other current and long term assets and $0.4 million increase in accounts payable.

Investing Activities

For the six months ended June 30, 2019, net cash provided by investing activities was $41.9 million. This amount primarily consists of $55.0 million in proceeds from maturities of short-term investments, offset by $12.9 million purchase of short-term investments and $0.2 million purchases of property and equipment.

For the six months ended June 30, 2018, net cash provided by investing activities was $4.2 million. This amount primarily consists of $4.5 million proceeds related to the sale of the SurgiBot assets, offset by $0.3 million purchases of property and equipment.

Financing Activities

For the six months ended June 30, 2019, net cash provided by financing activities was $0.0 million. This amount was primarily related to $0.5 million related to the taxes withheld on vesting RSU awards, offset by $0.5 million in proceeds from the exercise of stock options and warrants.

For the six months ended June 30, 2018, net cash provided by financing activities was $16.0 million. This amount was primarily related to $18.9 million in proceeds from the issuance of debt, which was partially offset by $15.3 million in payment of debt, $9.8 million in proceeds from the exercise of stock options and warrants and $3.0 million received for shares issued related to the sale of the SurgiBot assets, offset by $0.4 million payment of contingent consideration.

Operating Capital and Capital Expenditure Requirements

We intend to spend substantial amounts on commercial activities, on research and development activities, including product development, regulatory and compliance, clinical studies in support of our future product offerings, the enhancement and protection of our intellectual property, and on contingent consideration payments in connection with the acquisition of the Senhance System. We will need to obtain additional financing to pursue our business strategy, to respond to new competitive pressures or to take advantage of opportunities that may arise. To meet our capital needs, we are considering multiple alternatives, including, but not limited to, additional equity financings, debt financings, strategic collaborations and other funding transactions. There can be no assurance that we will be able to complete any such transaction on acceptable terms or otherwise. If we are unable to obtain the necessary capital, we will need to pursue a plan to license or sell our assets, seek to be acquired by another entity, cease operations and/or seek bankruptcy protection.

Cash and cash equivalents held by our foreign subsidiaries totaled $3.7 million at June 30, 2019, including restricted cash. We do not intend or currently foresee a need to repatriate cash and cash equivalents held by our foreign subsidiaries. If these funds are needed in the U.S., we believe that the potential U.S. tax impact to repatriate these funds would be immaterial.

Hercules Loan Agreement

On May 23, 2018, the Company and its domestic subsidiaries, as co-borrowers, entered into the Hercules Loan Agreement with several banks and other financial institutions or entities from time to time party to the Hercules Loan Agreement and Hercules Capital, Inc., as administrative agent and Collateral Agent. Effective April 30, 2019, the Hercules Loan Agreement was amended to eliminate the availability of the Tranche III loan facility, add a new Tranche IV loan facility of up to $20 million, revise certain financial covenants and make other changes. Please see the description of the Hercules Loan Agreement above in this "Management's Discussion and Analysis of Financial Condition and Results of Operations - Debt Refinancing."

Innovatus Loan Agreement

On May 10, 2017, the Company and its domestic subsidiaries, as co-borrowers, entered into the Innovatus Loan Agreement with Innovatus Life Sciences Lending Fund I, LP, as lender and collateral agent. Please see the description of the Innovatus Loan Agreement above in "Notes to Consolidated Financial Statements (Unaudited)– Note. 13. Notes Payable.", and incorporated by reference herein.

In connection with the entry into the Hercules Loan Agreement, the proceeds of which were used to repay the Innovatus Loan, we were obligated to pay final payment and prepayment fees under the Innovatus Loan Agreement. The final payment fee obligation was $1.0 million and was paid during the year ended December 31, 2018.

Off-Balance Sheet Arrangements

As of June 30, 2019, we did not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations set forth above under the headings "Results of Operations" and "Liquidity and Capital Resources" have been prepared in accordance with U.S. GAAP and should be read in conjunction with our financial statements and notes thereto appearing in this Form 10-Q and in the Fiscal 2018 Form 10-K. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our critical accounting policies and estimates, including identifiable intangible assets and goodwill, business acquisitions, in-process research and development, contingent consideration, warrant liabilities, stock-based compensation, inventory, revenue recognition and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. A more detailed discussion on the application of these and other accounting policies can be found in Note 2 in the Notes to the Financial Statements in this Form 10-Q. Actual results may differ from these estimates under different assumptions and conditions.

While all accounting policies impact the financial statements, certain policies may be viewed as critical. Critical accounting policies are those that are both most important to the portrayal of financial condition and results of operations and that require management's most subjective or complex judgments and estimates. Our management believes the policies that fall within this category are the policies on accounting for identifiable intangible assets and goodwill, business acquisitions, contingent consideration, warrants liabilities, stock-based compensation, inventory, revenue recognition and income taxes.

Identifiable Intangible Assets and Goodwill

Identifiable intangible assets consist of purchased patent rights recorded at cost and developed technology acquired as part of a business acquisition recorded at estimated fair value. Intangible assets are amortized over 5 to 10 years. We periodically evaluate identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Indefinite-lived intangible assets, such as goodwill, are not amortized. We test the carrying amounts of goodwill for recoverability on an annual basis or when events or changes in circumstances indicate evidence of potential impairment exists by performing either a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors, including industry, market and general economic conditions, market value, and future projections to determine whether it is more likely than not that the fair value of a reporting unit is less than it's carrying amount, including goodwill.

As of December 31, 2018, we elected to bypass the qualitative assessment and calculated the fair value of our sole reporting unit based on our market capitalization, which exceeded the carrying amount. Accordingly, no charge for goodwill impairment was required as of December 31, 2018.

A significant amount of judgment is involved in determining if an indicator of goodwill impairment has occurred. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in the Company's stock price and market capitalization; a significant adverse change in legal factors or in the business climate; adverse assessment or action by a regulator; and unanticipated competition. Key assumptions used in the annual goodwill impairment test are highly judgmental and include selection of comparable companies and amount of control premium. Any change in these indicators or key assumptions could have a significant negative impact on the Company's financial condition, impact the goodwill impairment analysis or cause the Company to perform a goodwill impairment analysis more frequently than once per year.

Business Acquisitions

Business acquisitions are accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations." ASC 805 requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values, as determined in accordance with ASC 820, "Fair Value Measurements," as of the acquisition date. For certain assets and liabilities, book value approximates fair value. In addition, ASC 805 establishes that consideration transferred be measured at the closing date of the acquisition at the then-current market price. Under ASC 805, acquisition-related costs (i.e., advisory, legal, valuation and other professional fees) and certain acquisition-related restructuring charges impacting the target company are expensed in the period in which the costs are incurred. The application of the acquisition method of accounting requires the Company to make estimates and assumptions related to the estimated fair values of net assets acquired.

Significant judgments are used during this process, particularly with respect to intangible assets. Generally, intangible assets are amortized over their estimated useful lives. Goodwill and other indefinite-lived intangibles are not amortized, but are annually assessed for impairment. Therefore, the purchase price allocation to intangible assets and goodwill has a significant impact on future operating results.

In-Process Research and Development

In-process research and development ("IPR&D") assets represent the fair value assigned to technologies that were acquired, which at the time of acquisition have not reached technological feasibility and have no alternative future use. IPR&D assets are considered to be indefinite-lived until the completion or abandonment of the associated research and development projects. During the period that the IPR&D assets are considered indefinite-lived, they are tested for impairment on an annual basis, or more frequently if the Company becomes aware of any events occurring or changes in circumstances that indicate that the fair value of the IPR&D assets are less than their carrying amounts. If and when development is complete, which generally occurs upon regulatory approval, and the Company is able to commercialize products associated with the IPR&D assets, these assets are then deemed definite-lived and are amortized based on their estimated useful lives at that point in time. If development is terminated or abandoned, the Company may have a full or partial impairment charge related to the IPR&D assets, calculated as the excess of carrying value of the IPR&D assets over fair value.

The IPR&D from MST was acquired on October 31, 2018.

Contingent Consideration

Contingent consideration is recorded as a liability and measured at fair value using a discounted cash flow model utilizing significant unobservable inputs including the probability of achieving each of the potential milestones and an estimated discount rate associated with the risks of the expected cash flows attributable to the various milestones. Significant increases or decreases in any of the probabilities of success or changes in expected timelines for achievement of any of these milestones would result in a significantly higher or lower fair value of these milestones, respectively, and commensurate changes to the associated liability. The fair value of the contingent consideration at each reporting date will be updated by reflecting the changes in fair value in our statements of operations and comprehensive loss.

Warrant Liabilities

For the Series B Warrants, the warrants are recorded as liabilities and are revalued at each reporting period. The change in fair value is recognized in the consolidated statements of operations and comprehensive loss. The selection of the appropriate valuation model and the inputs and assumptions that are required to determine the valuation requires significant judgment and requires management to make estimates and assumptions that affect the reported amount of the related liability and reported amounts of the change in fair value. Actual results could differ from those estimates, and changes in these estimates are recorded when known. As the warrant liability is required to be measured at fair value at each reporting date, it is reasonably possible that these estimates and assumptions could change in the near term.

Stock-Based Compensation

We recognize as expense, the grant-date fair value of stock options and other stock based compensation issued to employees and non-employee directors over the requisite service periods, which are typically the vesting periods. We use the Black-Scholes-Merton model to estimate the fair value of our stock-based payments. The volatility assumption used in the Black-Scholes-Merton model is based on the calculated historical volatility based on an analysis of reported data for a peer group of companies as well as the Company's historical volatility. The expected term of options granted by us has been determined based upon the simplified method, because we do not have sufficient historical information regarding our options to derive the expected term. Under this approach, the expected term is the mid-point between the weighted average of vesting period and the contractual term. The risk-free interest rate is based on U.S. Treasury rates whose term is consistent with the expected life of the stock options. We have not paid and do not anticipate paying cash dividends on our shares of common stock; therefore, the expected dividend yield is assumed to be zero. We estimate forfeitures based on our historical experience and adjust the estimated forfeiture rate based upon actual experience.

Inventory

Inventory, which includes material, labor and overhead costs, is stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value. We record reserves, when necessary, to reduce the carrying value of inventory to its net realizable value. At the point of loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Revenue Recognition

Our revenue consists of product revenue resulting from the sale of systems, system components, instruments and accessories, and service revenue. We account for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Our revenues are measured based on consideration specified in the contract with each customer, net of any sales incentives and taxes collected from customers that are remitted to government authorities.

Our system sale arrangements generally contain multiple products and services. For these bundled sale arrangements, we account for individual products and services as separate performance obligations if they are distinct, which is if a product or service is separately identifiable from other items in the bundled package, and if a customer can benefit from it on its own or with other resources that are readily available to the customer. Our system sale arrangements include a combination of the following performance obligations: system(s), system components, instruments, accessories, and system service. Our system sale arrangements generally include a five-year period of service. The first year of service is generally free and included in the system sale arrangement and the remaining four years are generally included at a stated service price. We consider the service terms in the arrangements that are legally enforceable to be performance obligations. Other than service, we generally satisfy all of the performance obligations up-front. System components, system accessories, instruments, accessories, and service are also sold on a standalone basis.

We recognize revenues as the performance obligations are satisfied by transferring control of the product or service to a customer. We generally recognize revenue for the performance obligations at the following points in time:

- *System sales.* For systems and system components sold directly to end customers, revenue is recognized when we transfer control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. For systems sold through distributors, with the distributors responsible for installation, revenue is recognized generally at the time of shipment. Our system arrangements generally do not provide a right of return. The systems are generally covered by a one-year warranty. Warranty costs were not material for the periods presented.

- *Instruments and accessories.* Revenue from sales of instruments and accessories is recognized when control is transferred to the customers, which generally occur at the time of shipment, but also occur at the time of delivery depending on the customer arrangement. Accessory products include sterile drapes used to help ensure a sterile field during surgery, vision products such as replacement endoscopes, camera heads, light guides, and other items that facilitate use of the Senhance Surgical System.

- *Service.* Service revenue is recognized ratably over the term *of* the service period as the customers benefit from the service throughout the service period. Revenue related to services performed on a time-and-materials basis is recognized when performed.

For multiple-element arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which we separately sell the products or services. Due to limited sales to date, standalone selling prices are not yet directly observable. We estimate the standalone selling price using the market assessment approach considering market conditions and entity-specific factors including, but not limited to, features and functionality of the products and services, geographies, type of customer, and market conditions. We regularly review standalone selling prices and update these estimates if necessary. Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to service obligations performed under our system sales contracts that will be invoiced and recognized as revenue in future periods.

We invoice our customers based on the billing schedules in our sales arrangements. Contract assets for the periods presented primarily represent the difference between the revenue that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Deferred revenue for the periods presented was primarily related to service obligations, for which the service fees are billed up-front, generally annually. The associated deferred revenue is generally recognized ratably over the service period.

In connection with assets recognized from the costs to obtain a contract with a customer, we have determined that sales incentive programs for our sales team do not meet the requirements to be capitalized as we do not expect to generate future economic benefits from the related revenue from the initial sales transaction.

Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets or liabilities for the temporary differences between financial reporting and tax basis of our assets and liabilities, and for tax carryforwards at enacted statutory rates in effect for the years in which the asset or liability is expected to be realized. The effect on deferred taxes of a change in tax rates is recognized in income during the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amounts expected to be realized.

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Legislation") was enacted into law, which reduced the U.S. federal corporate income tax rate to 21% for tax years beginning after December 31, 2017. As a result of the newly enacted tax rate, we adjusted our U.S. deferred tax assets as of December 31, 2017, by applying the new 21% rate, which resulted in a decrease to the deferred tax assets and a corresponding decrease to the valuation allowance of approximately $36.1 million.

The Tax Legislation also implements a territorial tax system. Under the territorial tax system, in general, our foreign earnings will no longer be subject to tax in the U.S. As part of transition to the territorial tax system the Tax Legislation includes a mandatory deemed repatriation of all undistributed foreign earnings that are subject to a U.S. income tax. We estimate that the deemed repatriation will not result in any additional U.S. income tax liability as we estimate we currently have no undistributed foreign earnings.

In accordance with Staff Accounting Bulletin ("SAB") No. 118, income tax effects of the Tax Legislation were able to be refined upon obtaining, preparing, or analyzing additional information during a measurement period of one year. During the measurement period provisional amounts were able to be adjusted for the effects, if any, of interpretive guidance issued after December 31, 2017, by U.S. regulatory and standard-setting bodies. No adjustments were made during the measurement period.

Recent Accounting Pronouncements

See "Note 2. Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in the Company's Fiscal 2018 Form 10-K, as well as the notes to the consolidated financial statements above in this Form 10-Q, for a full description of recent accounting pronouncements including the respective expected dates of adoption and effects on our Consolidated Balance Sheets and Consolidated Statements of Operations and Comprehensive Loss.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

We have limited exposure to market risks from instruments that may impact the Balance Sheets, Statements of Operations and Comprehensive Loss, and Statements of Cash Flows. Such exposure is due primarily to changing interest rates and foreign currency exchange rates.

Interest Rates

The primary objective for our investment activities is to preserve principal while maximizing yields without significantly increasing risk. This is accomplished by investing excess cash in money market funds and Treasury securities. As of June 30, 2019, approximately 100% of the investment portfolio was in cash equivalents and short-term investments with very short-term maturities and therefore not subject to any significant interest rate fluctuations.

Foreign Currency Exchange Rate Risk

We conduct operations in several different countries, including the United States and throughout Europe and Asia, and portions of our revenues, expenses, assets and liabilities are denominated in U.S. dollars, Euros or other currencies. Since our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. We have not historically hedged our exposure to foreign currency fluctuations. Accordingly, increases or decreases in the value of the U.S. dollar against the Euro and other currencies could materially affect our net operating revenues, operating income and the value of balance sheet items denominated in foreign currencies.

During the three months ended June 30, 2019, 96% of our revenue and approximately 45% of our operating expenses were denominated in currencies other than the U.S. dollar, most notably the Euro. Based on actual results over the past year, a hypothetical 10% increase or decrease in the U.S. dollar against the Euro would have increased or decreased revenue by approximately $2.0 million and operating expenses by approximately $4.4 million.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2019. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2019, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Controls Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1 Legal Proceedings

None.

Item 1A Risk Factors.

Reference is made to the Risk Factors included in our Fiscal 2018 Form 10-K, as supplemented by the following:

We have a history of operating losses, and we may not be able to achieve or sustain profitability. In addition, we may be unable to continue as a going concern.

We have a limited operating history. We are not profitable and have incurred losses since our inception. Substantial doubt exists about our ability to continue as a going concern as a result of anticipated capital needs as well as past recurring losses and an accumulated deficit. Our accumulated deficit was $552.1 million as of June 30, 2019, and our working capital was $46.8 million as of June 30, 2019. We believe that our existing cash and cash equivalents, together with cash received from sales of our products, will not be sufficient to meet our anticipated cash needs for the next 12 months.

We expect to continue to incur losses for the foreseeable future, and these losses will likely increase as we continue to develop and commercialize our products. We will continue to incur research and development and general and administrative expenses related to our operations, and increased sales and marketing expenses to support our commercial activities. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

We cannot assure you that the payments under the AutoLap Sale Agreement will be made on a timely basis.

In July 2019, we entered into the AutoLap Sale Agreement with GBIL under which we sold the AutoLap Assets to GBIL. The purchase price is to be paid in two installments. The initial installment of $5.0 million was due to be paid on July 31, 2019, but as of the date of this filing has not been received, and the remaining $12.0 million at the time of the physical transfer of the AutoLap Assets to China, which is expected to occur in November 2019. In addition, GBIL agreed to purchase additional shares of our common stock for an aggregate purchase price of $30.0 million by September 30, 2019. We can make no assurances, however, that the $5.0 million payment due July 31, 2019 or future payments due under the AutoLap Sale Agreement will be received when anticipated or at all. If the $5.0 million payment is not received shortly, and if the other payments not made on time, our short-term financial position would be adversely affected and we may be required, as a result, to reduce our sales and marketing and administrative expenses and delay research and development projects, including the purchase of equipment and supplies, until we are able to obtain sufficient funds. If such sufficient funds are not received when needed, we would then need to pursue a plan to license or sell our assets, seek to be acquired by another entity, cease operations and/or seek bankruptcy protection. We may not be successful, however, in accomplishing any or all of such plans.

If we default on our existing indebtedness, such default would affect our financial condition.

We are party with Hercules Capital, Inc. and the lending banks, or, collectively, the Lender, and jointly and severally liable with certain of our U.S. subsidiaries for $15 million (as of August 8, 2019) of outstanding debt under term loans issued under our Loan and Security Agreement, as amended, or the Hercules Loan Agreement. The maturity date of the outstanding term loan aggregating $15 million is June 1, 2022. We amended the Hercules Loan Agreement to reduce our indebtedness and to achieve reduced financial covenants and waiver conditions in July 2019.

As of June 30, 2019, the Company did not meet the financial covenant related to actual net revenue as compared to projected net revenue and did meet the applicable 2019 fiscal year waiver condition of maintenance of unrestricted cash equal to the term loan balances and a market capitalization of at least $250 million. Under the Hercules Second Amendment, the applicable waiver condition for fiscal year 2019 has been changed to maintenance of unrestricted cash equal to $7.0 million. As of the date of this report, the Company is in compliance with this waiver condition. This waiver condition is tested daily. The Company cannot make assurances that it will meet this waiver condition on a daily basis through September 30, 2019.

If we were to become unable to pay, when due, the principal of, interest on, or other amounts due in respect of, our indebtedness, our financial condition would be adversely affected. Further, under the Hercules Loan Agreement, we are subject to certain restrictive covenants that, among other things, subject to exceptions, restrict the Company's ability to do the following things: declare dividends or redeem or repurchase equity interests; incur additional liens; make loans and investments; incur additional indebtedness; engage in mergers, acquisitions, and asset sales; transact with affiliates; undergo a change in control; add or change business locations; and engage in businesses that are not related to its existing business. If we breach any of these restrictive covenants or are unable to pay our indebtedness under the Hercules Loan Agreement when due, this could result in a default under the Hercules Loan Agreement. In such event, the Lender may elect (after the expiration of any applicable notice or grace periods) to declare all outstanding borrowings, together with accrued and unpaid interest and other amounts payable under the Hercules Loan Agreement, to be immediately due and payable. Any such occurrence would have an adverse impact on our financial condition. The Company's obligations under the Hercules Loan Agreement are secured by a security interest in all of the assets of the Company and its current and future domestic and material foreign subsidiaries, including a security interest in the intellectual property.

We are currently highly dependent on the commercial success of a single product, the Senhance System. We cannot give any assurance that the Senhance System can be successfully commercialized.

We are currently highly dependent on the commercial success of the Senhance System, which is FDA cleared and CE marked. We began our selling efforts for the Senhance System in the fourth quarter of 2015 in Europe, in the fourth quarter of 2017 in the United States and in the second quarter of 2018 in Asia. We have had limited commercial success to date. We cannot assure you that we will be able to successfully commercialize the Senhance System, for a number of reasons, including, without limitation, failure in our sales and marketing efforts, the long sales cycle associated with the purchase of capital equipment, or the potential introduction by our competitors of more clinically effective or cost-effective alternatives. Failure to successfully commercialize the Senhance System would have a material adverse effect on our business.

The sales cycle for the Senhance System is lengthy and unpredictable, which will make it difficult for us to forecast revenue and increase the magnitude of quarterly fluctuations in our operating results.

Purchase of a surgical robotic system such as the Senhance System represents a capital purchase by hospitals and other potential customers. The capital purchase nature of the transaction, the complexity of our product, the relative newness of surgical robotics and the competitive landscape requires us to spend substantial time and effort to assist potential customers in evaluating our robotic systems. We must communicate with multiple surgeons, administrative staff and executives within each potential customer in order to receive all approvals on behalf of such organizations. We may face difficulty identifying and establishing contact with such decision makers. Even after initial acceptance, the negotiation and documentation processes can be lengthy. Additionally, our customers may have strict limitations on spending depending on the current economic climate or trends in healthcare management.

We are also expanding the potential market for robotic surgical systems with our focus on laparoscopic surgery. Such expansion requires a different sales and marketing approach than a focus on open procedures. We expect our typical sales cycle to range between four to six quarters per sale. Each sale could take longer. Any delay in completing sales in a particular quarter could cause our operating results to fall below expectations. We also expect such a lengthy sales cycle makes it more difficult for us to accurately forecast revenue in future periods and may cause revenues and operating results to continue to vary significantly in future periods.

Although we have expanded our commercial organization, we currently have limited marketing, sales and distribution capabilities. We are distributing our products through direct sales in the U.S. and select countries in Europe, and elsewhere through the use of independent contractor and distribution agreements with companies possessing established sales and marketing operations in the medical device industry. There can be no assurance that we will be successful in building our sales capabilities. To the extent that we enter into distribution, co-promotion or other arrangements, our product revenue is likely to be lower than if we directly market or sell our products. In addition, any revenue we receive will depend in whole or in part upon the efforts of such third parties, which may not be successful and are generally not within our control. If we are unable to enter into such arrangements on acceptable terms or at all, we may not be able to successfully commercialize our products. If we are not successful in commercializing our existing and future products, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

We have procedures in place to require our distributors and sales agents to comply with applicable laws and regulations governing the sales of medical devices in the jurisdictions where they operate. Failure to meet such requirements could subject us to financial penalties or the suspension or termination of the ability to sell our products in such jurisdiction.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds.

The description of the issuance of shares of common stock of the Company disclosed under Item 5 of this Part II is incorporated in this Item 2 by reference.

Item 3 Defaults Upon Senior Securities.

None.

Item 4 Mine Safety Disclosures.

Not applicable.

Item 5 Other Information.

On September 23, 2018, the Company and two of the Company’s wholly owned subsidiaries (collectively the “Buyers”) entered into an Asset Purchase Agreement (the “MST Purchase Agreement”) with MST Medical Surgery Technologies Ltd., an Israeli private company (the “Seller”), pursuant to which the Buyers purchased the assets of the Seller, including the intellectual property assets. See Note 3 of the Notes to the Unaudited Consolidated Financial Statements for a description of the MST transaction. Under the terms of the MST Purchase Agreement, additional consideration of $6.6 million could be satisfied by the Company through issuance of common stock. On August 7, 2019, the Company notified MST that the company would satisfy the additional consideration of $6.6 million due to MST under the MST Purchase Agreement by issuing shares of TransEnterix stock pursuant to an exemption from the registration under Section 4(2) of the Securities Act of 1933, as amended, and Regulation S thereunder. The number of shares to be issued to Seller as the additional consideration is 4,815,504 (the “Additional Consideration Shares”). In accordance with Section 2.3.6 of the MST Purchase Agreement, the number of Additional Consideration Shares was calculated based on the volume-weighted average of the closing prices of the TransEnterix Stock as quoted on the NYSE American for the ninety (90) day period ended August

6, 2019. Ninety percent of the Additional Consideration Shares are to be issued directly to the Seller and are subject to a six-month lock-up under the Lock-up Agreement between the Seller and the Company entered into at the closing under the MST Purchase Agreement. The remaining ten percent of the Additional Consideration Shares will be held in the escrow account created under the MST Purchase Agreement in accordance with its terms.

Item 6. EXHIBITS

Exhibit No.	Description
10.1 * !	AutoLap System Sale Agreement between TransEnterix, Inc., and Great Belief International Limited, dated July 3, 2019.
10.2 *	Consent and Second Amendment to Loan and Security Agreement, dated and effective as of July 10, 2019, by and among TransEnterix, Inc., TransEnterix Surgical, Inc., TransEnterix International, Inc., SafeStitch, LLC, the several banks party to the Loan and Security Agreement and Hercules Capital, Inc., as administrative agent and collateral agent.
10.3 +	TransEnterix, Inc. Amended and Restated Incentive Compensation Plan, as amended and restated effective April 24, 2019 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed April 26, 2019)
10.4	Asset Purchase Agreement, dated September 23, 2018, by and among MST Medical Surgery Technologies Ltd., TransEnterix, Inc., TransEnterix Europe, S.A.R.L., a Luxemburg limited liability company acting through its Swiss branch being established under the name "TransEnterix Europe Sarl, Bertrange, Swiss Branch Lugano," and TransEnterix Israel Ltd. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on September 25, 2018).
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
32.1 *	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	XBRL Instance Document.
101.SCH *	XBRL Taxonomy Extension Schema Document.
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document.

\+ A management contract, compensatory plan or arrangement required to be separately identified.
* Filed herewith.
! Portions of this exhibit have been omitted because the information is not material and would likely cause competitive harm if publicly disclosed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TransEnterix, Inc.

Date: August 8, 2019	By: /s/ Todd M. Pope
	Todd M. Pope
	President and Chief Executive Officer
	By: /s/ Joseph P. Slattery
Date: August 8, 2019	Joseph P. Slattery
	Executive Vice President and Chief Financial Officer

THIS EXHIBIT HAS BEEN REDACTED TO EXCLUDE INFORMATION THAT IS NOT MATERIAL AND THAT WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.

EXHIBIT 10.1

DATED July 3, 2019

(1)TRANSENTERIX, INC.

(2) GREAT BELIEF INTERNATIONAL LIMITED

AUTOLAP SYSTEM SALE AGREEMENT

THIS AGREEMENT is made on July 3, 2019.

BETWEEN:

(1) TransEnterix, Inc., a company incorporated in Delaware, USA, with SEC File No. 000-19437 whose principal executive office is at 635 Davis Drive, Suite 300, Morrisville NC USA 27560 ("**Seller**"); and

(2) Great Belief International Limited, a company incorporated in British Virgin Islands under number 2364376 whose registered office is at P. O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. ("**Buyer**")

(each of the "**Seller**" and the "**Buyer**" being a "**Party**" and together the "**Seller**" and the "**Buyer**" are the "**Parties**").

BACKGROUND:

(A) The Seller has developed the Autolap System.

(B) The Seller has agreed to sell and transfer the System to the Buyer, and the Buyer has agreed to purchase the same, subject to the terms and conditions in this Agreement.

IT IS AGREED:

1. **DEFINITIONS AND INTERPRETATION**

1.1 In this Agreement, unless the context otherwise requires:

"**agreed form**"	means a form which has been agreed by the Parties and which has been duly executed or initialled by them or on their behalf for identification purposes with any alterations that may be agreed between the Parties in writing;
"**Ancillary Agreements**"	means the Cross-License Agreement, the IPR Assignments and the Subscription Agreement;
"**Business Day**"	In respect of any action to be taken by the Buyer, means any day on which the companies in PRC are generally open for business in the PRC, including a Saturday or Sunday which the PRC government temporarily declares to be a working day, but excluding a statutory holiday, a Saturday or Sunday other than a Working Rest Day, and a weekday which the PRC government temporarily declares to be a rest day; in respect of any action to be taken by the Seller, means a day, other than a Saturday, Sunday or public holiday, on which banks are open for non-automated commercial business in the United States and **Business Days** means more than one of them;
"**CFDA**"	means the China Food and Drug Administration;
"**Closing 1**"	means the first completion of the sale and purchase of the System in accordance with clause 4;
"**Closing 2**"	means the second completion of the sale and purchase of the System in accordance with clause 6;
"**Consideration**"	means the sum specified in clause 3.1;
" **Cross-License Agreement**"	means an agreement between Buyer and Seller, to be entered into at Closing 2 in the form indicated in Schedule 5, wherein: (a)_Seller grants to Buyer the right to use the Platform Software and the Licensed Patents, in each case solely for manufacture, use or sale of the System; (b) Buyer grants back to Seller the right to use the System IPR and any Intellectual Property Rights in improvements to the System IPR or to the System;
"**Encumbrance**"	means any mortgage, charge, pledge, lien or other security interest of any kind, and any right of set off, assignment by way of security, trust or other agreement or arrangement whatsoever for the purpose of providing security or having similar effect to the provision of security and **Encumbrances** means more than one of them;

"**Intellectual Property Rights**" means copyright, rights in inventions, patents, know-how, trade secrets, trademarks and trade names, service marks, design rights, rights in get-up, database rights and rights in data, semiconductor chip topography rights, rights in software, rights in domain names and social media accounts, the right to sue for passing off, utility models, and all similar rights and, in each case:

(a) whether registered or not;

(b) including any applications to protect or register such rights;

(c) including all renewals and extensions of such rights or applications;

(d) whether vested, contingent or future; and

(e) wherever existing;

"**IPR Assignments**" means the Assignment Agreement for the System IPR in the form provided at Schedule 6, and any other assignments as may be signed by the parties to effect the transfer of the System IPR to the Buyer;

"Licensed Patents" Means the patents indicated in Schedule 2, Part 2, as well as any divisionals, continuations, etc. of those patents

"**Nominated Account**" means the Seller's account as set forth in **Error! Reference source not found.** to this Agreement;

"**OEM Manufacturers**" means Novatec Ltd. and Medimor Ltd., companies based in Israel that prior to the date of this Agreement manufactured the AutoLap System under contract with and on behalf of the Seller;

"**Platform Software**" means certain software utilized in the System as of the date of this Agreement and described in **Error! Reference source not found.**, Part 1.

"**Registration Agent**" means Xizang Haisco Pharmaceutical Group Co. Ltd., the agent engaged by the Seller to undertake medical device registration for the System with the CFDA.

"Registration Information" means all material test or trial results, analysis, protocols, correspondence, filings, drawings or descriptions, specifications, System information and any other work product of any kind produced, prepared or compiled by the Registration Agent in connection with CFDA registration for the System, and necessary or convenient for Buyer to continue to progress the CFDA registration.

"**System**" means the laparoscope positioning system previously marketed by MST – Medical Surgical Technologies Ltd as the 'AutoLap' System.

"**System Assets**" means the System Capital Goods, the System Information, the System IPR, and the System Software and **System Asset** means one of them;

"**System Capital Goods**" means the System Stock and the System Tooling and Equipment, including those listed in Schedule 1, Part 4;

"**System Information**" means all drawings, specifications, procedures, manuals, and other information, know-how and techniques in any form which wholly or partially relate to all or any part of the System design, manufacture, installation, operation, calibration and testing, marketing, or maintenance;

"**System IPR**" means the Intellectual Property Rights in connection with the System owned by the Seller, and with respect to patents means in particular the patents indicated in Schedule 1, Part 1 as well as any divisionals, continuations, etc. of those patents;

"**System Software**" means the computer software incorporated into the System, as further described in Schedule 1, Part 2 (not including the Platform Software, or any third party development tools, such as Microsoft Development Tools);

"**System Stock**"	means stores, raw materials and components purchased for incorporation into the System, spare parts, and work-in-progress, together with finished products of the System or parts thereof;

"**System Tooling and Equipment**"	means all equipment, machinery, special tooling, moulds, jigs, fittings, and other assets owned by the Seller and used exclusively in the manufacture of the System at the date of this Agreement;
"Subscription Agreement"	means that certain Subscription Agreement, dated and executed as of the date hereof and attached as an exhibit hereto pursuant to which Buyer shall purchase 15,000,000 shares of Seller's common stock at $2.00 per share.
"**Warranties**"	means the representations and warranties set out in Schedule 1 and **Warranty** means one of them.

1.2 Unless the context otherwise requires:

1.2.1 each gender includes the other genders;

1.2.2 the singular includes the plural and vice versa;

1.2.3 references to clauses, Schedules or Appendices are to clauses, Schedules and Appendices (if any) of this Agreement;

1.2.4 references to this Agreement include its Schedule and Appendices (if any);

1.2.5 references to persons include individuals, unincorporated bodies, government entities, companies and corporations;

1.2.6 the words 'including' or 'includes' mean including or includes without limitation;

1.2.7 clause headings do not affect their interpretation; and

1.2.8 references to legislation include any modification or re-enactment thereof before the date of this Agreement.

2. **SALE AND PURCHASE OF THE SYSTEM AND THE SYSTEM ASSETS**

2.1 Subject to the terms and conditions of this Agreement the Seller will sell, free from all Encumbrances, and the Buyer will buy, the System and System Assets.

2.2 In addition, on the date hereof, the parties are entering into the Cross-License Agreement under which:

2.2.1 Seller will license Buyer to use the Platform Software and the Licensed Patents, in each case solely for manufacture, use or sale of the System; and

2.2.2 Buyer will grant back to Seller a license to use the System IPR and any Intellectual Property Rights in improvements to the System IPR or to the System .

3. **CONSIDERATION**

3.1 The total consideration for the transfer by Seller to Buyer of the System and the System Assets shall be US$47,000,000.

3.2 The consideration shall be paid as follows:

3.2.1 US$5,000,000 at Closing 1;

3.2.2 The purchase of 15,000,000 shares of Seller's common stock pursuant to the Subscription Agreement to be purchased no later than September 30, 2019; and

3.2.3 US$12,000,000 at Closing 2.

3.3 All sums payable under this Agreement and the Subscription Agreement are exclusive of VAT (or similar tax) and shall be paid free and clear of all deductions and withholdings whatsoever, unless the deduction or withholding is required by law. If any deduction or withholding is required by law the Buyer shall pay to the Seller such sum as will, after the deduction or withholding has been made, leave the Seller with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding. For the avoidance of doubt, Seller shall be solely responsible for, and Buyer's obligation in the previous sentence shall not apply to, any fees charged by Seller's own bank, and any taxes, levies or assessments required by the government in the Seller's location.

4. **CLOSING 1**

4.1 Closing 1 shall take place on July 31 2019.

4.2 At Closing 1, the matters set out in clauses 4.2.1 and 4.2.2 shall be transacted.

4.2.1 The Seller shall deliver, procure the delivery of, make available or procure the availability to the Buyer of:

(a) this Agreement and the Subscription Agreement, each duly executed by the Seller as of July 3, 2019;

(b) a certified copy of the resolutions of the Seller's board of directors approving the transaction and authorising the execution and delivery of this Agreement, the Subscription Agreement and other documents required to be signed by the Seller in accordance with this Agreement; and

(c) delivery of the form of instruction letter to be delivered by the Seller to the Seller’s transfer agent regarding the issuance of 15,000,000 shares of Seller’s common stock, issued in the name of the Buyer, in exchange for the funds paid under clause 4.2.2(c).

4.2.2 The Buyer will:

(a) deliver, procure the delivery of, make available or procure the availability to the Seller of:

(i) this Agreement and the Subscription Agreement, each duly executed by the Buyer as of July 3, 2019;

(ii) a certified copy of the board resolutions of the Buyer authorising the execution and delivery of this Agreement, the Subscription Agreement and the other documents required to be signed by the Buyer in accordance with this Agreement;

(b) pay the sum of US$5,000,000 to the Seller by way of electronic transfer of funds into the Nominated Account, receipt of which sum in such account by such date shall constitute a good discharge to the Buyer in respect of its obligation under clause 3.2.1.

(c) By no later than September 30, 2019, the Buyer shall pay the sum of US$30,000,000 to the Seller by way of electronic transfer of funds into the Nominated Account, receipt of which sum in such account by such date shall constitute a good discharge to the Buyer in respect of its obligation under clause 3.2.2 and under the Subscription Agreement.

4.3 If either Party fails or is unable to perform any obligation required to be performed by it under clause 4.2 at Closing 1 or within the time periods set forth in clause 4.2, the other Party shall not be obliged to complete its obligations under clause 4.2, the sale and purchase of the System, or any other terms of this Agreement, and may unilaterally terminate this Agreement and/or the Subscription Agreement.

4.4 If this Agreement terminates pursuant to clause 4.3, each Party's further rights and obligations cease immediately on termination, save that clauses 1 (Definitions and interpretation), 10.6 (Entire agreement), 10.10 (Costs), 11 (Notices), 12 (Confidential information) and 13 (Governing law and jurisdiction) shall remain in full force and effect and termination shall not affect any Party's accrued rights and obligations at the date of termination.

5. **DELIVERY OF SYSTEM CAPITAL GOODS**

5.1 The Seller shall, within ten (10) days after Closing 1, deliver the System Capital Goods to Buyer's designated carrier. The System Capital Goods will be delivered on an Ex Works (Incoterms 2010) basis to Buyer's designated carrier at Seller's chosen premises in the United States. Buyer will be responsible, on a timely basis, for taking delivery of the System Capital Goods, and for arranging and paying all costs in relation to shipping, insurance, export and import clearance, and customs duties.

5.2 The Buyer or its affiliate shall maintain shipping insurance on the System Capital Goods through arrival at their final destination, in a minimum amount of US$5,000,000, and the Seller shall be named as the beneficiary on the policy of insurance. Buyer shall provide proof of such insurance prior to taking delivery of the System Capital Goods in accordance with clause 5.1.

5.3 Risk of loss in the System Capital Goods will pass upon delivery to Buyer's designated carrier at Seller's premises, and title will pass on the Seller's receipt of full payment as provided for in clause 6.2.2.

5.4 The failure of Buyer (or its affiliate) to take delivery of the System Capital Goods within forty-five (45) days after Buyer makes the goods available in accordance with clause 5.1, shall constitute a material breach of this Agreement.

5.5 Buyer shall keep Seller informed of progress in the transportation of the System Capital Goods.

5.6 In any case that the Seller fails to deliver the System Capital Goods to Buyer's affiliate's in accordance with clause 5.1, the Seller shall refund US$5,000,000 to Buyer without any deductions or withholdings whatsoever, after which this Agreement and its Ancillary Agreements shall automatically terminate.

6. **CLOSING 2**

6.1 Closing 2 shall take place on or before 30 November 2019 at a date, time and place to be agreed by the Parties.

6.2 At Closing 2, the matters set out in clauses 6.2.1 through 6.2.3 shall be transacted.

6.2.1 The Seller shall procure the delivery of, make available or procure the availability to the Buyer of:

(a) possession of digital copies of current versions of all of the following:

(i) the System Information;

(ii) the Registration Information (to the extent available);

(iii) the System Software (source code and compiled versions);

(iv) the Platform Software (compiled versions only)

6.2.2 The Buyer will pay the sum of US12,000,000 to the Seller by way of electronic transfer of funds for the same day value into the Nominated Account, receipt of which sum in such account shall constitute a good discharge to the Buyer in respect of its obligation under clause 3.2.3;

6.2.3 The Seller, or a subsidiary of the Seller, and Buyer shall execute, or cause to be executed, and enter into:

(a) the Cross-License Agreement;

(b) in respect of the System IPR, the duly executed IPR Assignment in the agreed forms;

6.3 If either Party fails or is unable to perform any of its obligation required to be performed by it under clause 6.2 at Closing 2, the other Party shall not be obliged to complete its obligations under clause 6.2, the sale and purchase of the System, or any other terms of this Agreement, and may unilaterally terminate this Agreement, in which case:

6.3.1 All of the executed Ancillary Agreements (other than the Subscription Agreement) will automatically terminate;

6.3.2 If termination of this Agreement is caused by the Buyer’s failure to perform any of its obligation required to be performed by it under clause 6.2 at Closing 2, Buyer shall promptly return or procure the return of all of the System Capital Goods to Seller's designated premises in the United States, at Buyer's own risk and expense; and

6.3.3 If termination of this Agreement is caused by the Seller’s failure to perform any of its obligation required to be performed by it under clause 6.2 at Closing 2, Buyer shall promptly return or procure the return of all of the System Capital Goods to Seller's designated premises in the United States, at Seller's own risk and expense;

6.3.4 Upon return of the System Capital Goods in accordance with clause 6.3.2 or 6.3.3, Seller shall return all funds received by it from Buyer under clause 4.2.2(b) and 6.2.2 prior to that date; provided, however, that if the failure of Closing 2 is a result of Buyer's failure to perform any of its other obligations hereunder, the Seller will be entitled (without limitation to its rights to claim any damages or other compensation to which it may be entitled) to retain US$[XXXXXXXXX] as damages; and if the failure of Closing 2 is a result of Seller's failure to perform any of its other obligations hereunder, the Buyer will be entitled to claim damages and compensation including but not limited to its expenses for shipping the System Capital Goods from the US to Hong Kong. For the avoidance of doubt, Buyer shall not be obligated or entitled to return the shares of Seller’s common stock purchased at Closing 1 in accordance with clauses 3.2.2 and 4.2, nor shall Seller by obligated to repay the sums paid for such shares under the Subscription Agreement.

6.4 If this Agreement terminates pursuant to clause 6.3, each Party’s further rights and obligations cease immediately on termination, save that clauses 1 (Definitions and interpretation), 6.3 (consequences of termination), 10.6 (Entire agreement), 10.10 (Costs), 11 (Notices), 12 (Confidential information) and 13 (Governing law and jurisdiction) shall remain in full force and effect, and termination shall not affect any Party’s accrued rights and obligations at the date of termination.

7. ACTIONS AFTER CLOSING 2

After the conclusion of Closing 2, the Parties will have the following rights and obligations.

7.1 Further acts - transfer of Registration Information

7.1.1 It is anticipated that Buyer will not use the services of the Registration Agent, but will use its own designated agent for the CFDA registration.

7.1.2 The Parties will procure the Registration Agent's cooperation with the transfer of the Registration Information to Buyer or its designee.

7.1.3 For a period of up to six months after Closing 2, Seller shall provide, or ensure that the Registered Agent provides, support to Buyer to ensure that the Registration Information is complete, and to respond to any reasonable queries that Buyer may have with respect to the Registration Information or the steps undertaken prior to Closing 1 in preparation for CFDA registration.

7.1.4 Seller shall bear any fees and expenses of the Registration Agent in regard to the undertakings under 7.1.2 to 3.

7.2 **Transfers of registered System IPR**

Seller shall cooperate with Buyer to do or procure to be done all acts and things reasonably required to record the transfer of the registered System IPR (being all patents, and trademarks within the System IPR) to the Buyer through official filings with the relevant registration authorities. Seller will provide proof of its commercially reasonable efforts to complete these filings within 10 Business Days after Closing 2.

7.3 **Knowledge transfer and support**

7.3.1 Seller shall provide all necessary resources and support to ensure a full and complete transfer of the System IPR, and further to 7.3.2 will use its commercially reasonable efforts to make Buyer / OEM Manufacturer personnel working with the System understand the technology and methods embodied in the System and necessary for its manufacture and servicing.

7.3.2 At no cost to Buyer, Seller shall provide reasonable support in the first six months after Closing 2 to Buyer. For the avoidance of any doubt, when support is demanded by the Buyer, Seller shall provide personnel that are qualified to support. Support shall be provided on a timely basis when requested by the Buyer either remotely (as a preference), at OEM Manufacturer's facility in Israel, or at Seller's facility in the US, as agreed by Buyer and Seller on an on-going basis. Seller and Buyer will each be responsible for its own costs of travel etc. in respect of such support services. If additional support beyond that provided for above is required by Buyer in any period, Buyer may purchase such additional support services from Seller at Seller's then current standard rates for technical services, and subject to reimbursement of Seller's reasonable costs for travel, etc.

7.3.3 Seller will introduce Buyer to the OEM Manufacturers with a view to facilitating Buyer's establishment of arrangements with the OEM Manufacturers for production of the System. However, it will be Buyer's sole responsibility to negotiate, enter into and ensure performance of any agreement with the OEM Manufacturers.

8. **WARRANTIES**

8.1 The Seller represents, warrants and undertakes to the Buyer that at Closing 1 and Closing 2 the Warranties set out in Schedule 1, Part A, are true, accurate and not misleading.

8.2 The Buyer represents, warrants and undertakes to the Seller that at Closing 1 and Closing 2 the Warranties set out in Schedule 1, Part B, are true, accurate and not misleading.

8.3 For the purpose of this clause 8 the term **fairly and reasonably disclosed** means disclosed in such manner and in such detail as to enable a reasonable person to make an informed and accurate assessment of the matter concerned.

8.4 Each Party acknowledges that the other has entered into this Agreement on the basis of such Warranties. For the avoidance of doubt, claims in relation to breach of the representations and warranties when made by the Parties may be brought for 24 months after the commencement of sales of the System by Buyer.

8.5 Each of the Warranties is a separate warranty and will not be limited or restricted by reference to the terms of any other Warranty or any other term of this Agreement.

8.6 The System is sold "as is". The Seller makes no warranties or representations other than those in Schedule 2, and excludes to the full extent permitted by law any other warranties whatsoever, including without limitation any warranties as to the suitability of the System for any particular purpose, as to its merchantability or marketability, or as to Buyer's ability to obtain any regulatory approvals in relation to the System.

9. **LIABILITIES AND INDEMNITY**

9.1 **Definitions**

In this clause:

"**Losses**"	means all damages, liabilities, demands, costs, expenses, claims, actions and proceedings (including all consequential, direct, indirect, special or incidental loss or punitive damages or loss, legal and other professional fees, cost and expenses, fines, penalties, interest and loss of profit or any other form of economic loss (including loss of reputation))
"**Minimum Liability**"	means US$[XXXXXXX];
"**Claim Period**"	means the period following Closing 2 and continuing until 24 months after the commencement of sales of the System by Buyer.

and a reference to a claim is a reference to a claim by a Party on the grounds indicated in clause 9.2.

9.2 **Indemnity**

Each Party will, to the extent that a claim does not arise from the negligence or wilful default of the other Party, on demand indemnify and keep indemnified the other Party from and against all Losses suffered or incurred by the other Party arising out of or in connection with:

9.2.1 any act or omission by the first Party that is in breach of this Agreement;

9.2.2 any breach of the Warranties by the first Party, provided that the claim is issued and served on the other Party during the Claim Period;

9.2.3 any third party claim relating to the provision, supply or use of the System, provided that in the case of a third party claim brought against Buyer, the third party claim is served on the Buyer during the Claim Period.

9.3 **De minimis claims**

Neither Party shall be liable for a claim if the liability of the other Party for that claim when added to the total liability of the other Party under all previous claims does not exceed in aggregate the Minimum Liability.

9.3.1 Once the total of the claims exceeds in aggregate the Minimum Liability, the breaching Party shall be liable for the whole amount of such claim and not just for the amount exceeding the Minimum Liability.

9.3.2 No single claim may be made against a Party under the Warranties if the amount to be claimed does not exceed US$[XXXXXX].

9.4 **Maximum liability**

The aggregate liability of the Seller or Buyer (as the case may be) in respect of all claims for breach of the Warranties shall not exceed US$[XXXXXXXXX].

9.5 **Pre-Notice of a claim**

The claiming Party shall not bring a claim against the other Party unless written notice has been given to the other Party within sixty (60) days after the claiming Party becomes aware of the grounds for a claim, providing details of the nature of the claim in reasonably sufficient detail and, so far as practicable, the amount claimed.

9.6 **Specific Limitations**

9.6.1 Neither Party shall be able to bring a claim against the other if and to the extent that:

(a) the breach on which the claim is based occurs as a result of any legislation not in force at the date of this Agreement taking effect retrospectively, any increase in the rates of taxation in force at that date or as a consequence of a change in the interpretation of the law in any jurisdiction after the date of this Agreement,

(b) the claim relates to any loss for which the Party is indemnified by insurance.

9.6.2 If a Party is prevented by clause 9.6.1 from bringing any claim in whole or in part, the losses, costs or damages the Party would have sought to recover in such claim shall not be taken into account when calculating the Minimum Liability.

9.6.3 No claim shall be made by a Party in relation to a fact, omission, if the Party has actual, constructive or imputed knowledge of the fact, omission, circumstance or occurrence at the time of execution of this Agreement.

9.7 **Conduct of claims**

When a Party becomes aware of any third party claim that might give rise to a claim against the other Party out of or in relation to the System or System Assets, having given notice to the other Party in accordance with clause 9.5, the first Party shall:

9.7.1 not make any admission of liability or agreement or compromise with any party without prior consultation with and the agreement of the other Party;

9.7.2 take such action to avoid, dispute, resist, appeal, compromise or contest the dispute as the other Party may request, at the other Party's expense; and

9.7.3 make available to the other Party all information required and available to enable the other Party to avoid, dispute, resist, appeal, compromise or contest the claim and any liability connected with the claim,

provided that the first Party shall not be obliged to take any action which is likely to materially prejudice the System or the first Party.

9.8 **Recovery from third parties**

If a Party receives any payment or benefit from any policy of insurance or any third party other than the other Party as a result of the circumstances giving rise to a claim, and the other Party has made payment to the first Party in respect of that claim, the first Party shall as soon as practicable after receipt, pay to the other Party an amount which is the lesser of the amount of the payment or benefit received from the insurer or other third party and the payment received from the other Party, having deducted all costs, charges and expenses reasonably incurred by the first Party in obtaining the payment or benefit.

9.9 **General**

9.9.1 Nothing in this clause shall in any way diminish Parties' obligation to take reasonable measures to mitigate their losses.

9.9.2 If any potential claim arises by reason of a liability that is contingent only, then the Seller shall not be under any obligation to make any payment for that claim until such time as the contingent liability becomes actual.

9.9.3 The Buyer confirms to the Seller that it is not at the date of this Agreement, and after discussion with its accountants and attorneys, aware of any matter or thing that in its reasonable opinion would or may give rise to any claim.

9.9.4 Nothing contained in this clause or any other terms of this Agreement shall affect any claim or other action by the Buyer in the case of fraud or other dishonesty or any omission or wilful or fraudulent misstatement the Seller or its agents may make or commit.

10. MISCELLANEOUS

10.1 Variation

Variations to this Agreement will only have effect when agreed in writing and signed by each of the Parties.

10.2 Severability

If any provision of this Agreement (wholly or partly) is or becomes illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect. If such provision would be legal, valid and enforceable if part of it were deleted or amended, the provision will apply with the required deletion or amendment provided that neither Party suffers any materially adverse effect.

10.3 Waiver

Unless otherwise agreed in writing, no failure, delay, indulgence, act or omission by either Party in exercising any right or remedy will be deemed a waiver of that, or any other, right or remedy.

10.4 Further assurance

Each Party will, at its own cost, do all further acts and execute all further documents necessary to give effect to this Agreement both on and after Closing 1.

10.5 Assignment

10.5.1 Except as otherwise agreed by the Parties, neither Party may assign or grant an Encumbrance over or deal in any way with any of its rights under this Agreement; provided, however, that Seller shall have the right to freely transfer all of its rights and obligations under this Agreement to any party acquiring substantially all, or a major part, of the business and/or assets of the Seller, as long as the successor assumes all of Seller's obligations to Buyer; and Buyer shall have the right to freely transfer all of its rights and obligations under this Agreement to any party acquiring substantially all, or a major part, of the business and/or assets of the Buyer, as long as the successor assumes all of Buyer's obligations to Seller under this Agreement.

10.6 Entire agreement

This Agreement and documents referred to in it represent the entire agreement between the Parties and supersede all previous agreements and understanding of the Parties relating to acquisition of the System made available in this Agreement whether written or oral. Further, each Party acknowledges that it does not rely on, and shall have no remedy in respect of any statement, representation, assurance or warranty (whether of fact or law made innocently or negligently).

10.7 **No joint venture or agency**

The Parties are independent contractors, and nothing in this Agreement is intended to create any joint venture or agency relationship between the Parties. No Party may purport to create or assume any obligation on behalf of the other.

10.8 **Succession**

This Agreement will bind and benefit each Party's respective successors and permitted assignees. Any successor and/or assignee shall in its own right be able to enforce any term of this Agreement in accordance with its terms as if it were in all respects a party to this Agreement, but until such time, any such successor or assignee shall have no rights whether as a third party or otherwise.

10.9 **Counterparts**

This Agreement may be signed in any number of separate counterparts. Each, when executed and delivered by a Party, will be an original. All counterparts will together constitute one instrument.

10.10 **Costs**

The Parties will each pay their own costs in connection with the negotiation, preparation and implementation of this Agreement and any documents referred to in or incidental to this Agreement.

11. **NOTICES**

11.1 Notices under this Agreement will be in writing and sent to the person and address in clause 11.2. They may be given, and will be deemed received:

11.1.1 by international courier: five Business Days after posting;

11.1.2 by hand: on delivery.

11.1.3 by e-mail: on the next Business Day after sending to the correct address (provided that no notice of failure of delivery is received by the sender).

11.2 Notices will be sent:

11.2.1 to the Seller at:

Anthony Fernando
Chief Operating Officer
TransEnterix, Inc.

with copies to:

Joshua Weingard
Chief Legal Officer

and

Kathleen Frost

Vice President - Intellectual Property
TransEnterix, Inc.

11.2.2 to the Buyer at:

Wang Yan
Authorized Representative
Great Belief International Limited

12. **CONFIDENTIAL INFORMATION**

12.1 Neither Party will, without the other’s prior written consent, disclose:

12.1.1 the existence or terms of this Agreement; provided, however, if this Agreement or certain of its terms are material to Seller, Seller is authorized to disclose the terms of the Agreement in accordance with U.S. securities laws, including filing this Agreement with its filings with the U.S. Securities and Exchange Commission; and

12.1.2 any information relating to the customers, suppliers, methods, products, plans, finances, trade secrets or otherwise to the business or affairs of the other Party,

together the **Confidential Information**.

12.2 Neither Party will use the other's Confidential Information except to perform this Agreement or as contemplated by this Agreement.

12.3 Disclosure of Confidential Information may be made to such of a Party's officers, employees, professional advisers and consultants as reasonably necessary to advise on this Agreement and the transaction as a whole on the condition that the disclosing Party is responsible for such third party's compliance with the obligations under this clause. Disclosure may also be made as required by law, the Securities and Exchange Commission, any stock exchange, or any other regulatory body.

12.4 Confidential Information does not include information which is:

12.4.1 publicly available, other than as a result of a breach of this Agreement by a Party; or

12.4.2 lawfully available to a Party from a third party free from any confidentiality restriction; or

12.4.3 required by law, regulation or by order or ruling of a court or administrative body of a competent jurisdiction to be disclosed (but in which case to the absolute minimum necessary) provided that the disclosing Party shall use its reasonable endeavours to first consult fully with the other Party to establish whether and, if so, how far it is possible to prevent or restrict such enforced disclosure and take all steps as it may reasonably require to achieve prevention or restriction.

12.5 Without the express written consent of Seller, Buyer shall not make any public announcement or otherwise disclose to any third party the existence of this Agreement or any agreement ancillary to it, or the fact that discussions concerning a potential collaboration are taking place, except as required by law, the Securities and Exchange Commission, any stock exchange, or any other regulatory body. In the event such a disclosure is required, Buyer shall notify Seller no less than 24 hours in advance of the disclosure.

12.6 Without the express written consent of Buyer, Seller shall not make any public announcement or otherwise disclose to any third party the existence of this Agreement or any agreement ancillary to it, or the fact that discussions concerning a potential collaboration are taking place, except as required by law, the Securities and Exchange Commission, any stock exchange, or any other regulatory body. In the event such a disclosure is required, Buyer shall notify Seller no less than 24 hours in advance of the disclosure.

13. **GOVERNING LAW AND JURISDICTION**

13.1 This Agreement and any dispute or claim arising out of, or in connection with, it, its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the laws of Hong Kong, excluding the United Nations Convention on the International Sale of Goods.

13.2 Any dispute, difference or claim arising out of, in connection with or relating to this Agreement shall be submitted to and finally resolved by arbitration in Hong Kong under the auspices of the Hong Kong International Arbitration Commission ("**HKIAC**"), in accordance with the HKIAC Administered Arbitration Rules then in effect, which rules are hereby incorporated by reference into this Agreement. The arbitral tribunal shall consist of three arbitrators. One of the arbitrators shall be a national of the PRC, one a national of the US, and one of a third country. The arbitral proceedings shall be conducted in English.

This document has been executed by the duly authorized representatives of the Parties on the date written at the beginning of it.

Executed by TransEnterix Inc. acting by Anthony Fernando, its COO.	/s/ Anthony Fernando
Executed by Great Belief International Limited acting by Mr. Wang Yan, its authorized representative.	/s/ Wang Yan

14.

LIST OF SCHEDULES AND EXHIBITS

15.

WARRANTIES

PART A – Seller Warranties

1. **The Seller**

1.1 The Seller is a company duly incorporated and existing under the laws of Delaware, USA.

1.2 The Seller has all requisite corporate power and authority to execute and perform this Agreement and all agreements and documents ancillary to it.

1.3 This Agreement and all agreements and documents ancillary to it constitute valid, legal, binding and enforceable obligations on the Seller.

1.4 To the Seller's knowledge, no order has been made, petition presented or resolution passed for the winding-up of the Seller and no administration order or administration application or notice of appointment of or notice of intention to appoint an administrator has been made or issued in relation to the Seller.

1.5 No receiver or administrative receiver has been appointed over any part of the System or the System Assets, no application has been made to the court for any such appointment, and no power of sale or power to appoint a receiver or administrative receiver under the terms of any charge, mortgage or security over the System Assets has become exercisable.

1.6 Performance by the Seller of the terms of this Agreement and such agreements and documents ancillary to it do not and will not conflict with or result in a breach of any of the provisions of the Seller memorandum or articles of association or any contractual, governmental or public agreement or other obligation made or given by the Seller, or any applicable laws, regulations, acts and other governmental policies especially those of the United States of America.

2. **The System Assets**

2.1 The Seller or its indirect wholly owned subsidiary TransEnterix Europe, S.A.R.L., acting through its Swiss branch being established under the name "TransEnterix Europe SARL, Bertrange, Swiss Branch Lugano (the "Subsidiary") has good title to all the System Assets and is the legal and beneficial owner of all the System Assets. No System Asset are subject to any Encumbrance as of the date of transfer to Buyer.

2.2 To the Seller's best knowledge, it is not aware of other parties' rights which would be infringed upon by the use of the System Assets by the Buyer subject to this Agreement.

2.3 The System Assets provided to Buyer are inclusive of all the versions of the System Assets (including the historical and latest versions, especially for the System Information, System IPR and System Software) created, possessed and obtained by the Seller.

3. **Intellectual Property Rights**

3.1 The Subsidiary is the legal owner of the System IPRs.

3.2 To the Seller's and Subsidiary's knowledge, none of the System IPRs are subject to any dispute, infringement and/or challenge.

3.3 All System IPRs are freely assignable without requiring any consent.

3.4 To the Seller's knowledge, none of the elements or activities of the System have infringed the Intellectual Property Rights of any person in circumstances which would entitle any person to make a claim against the Seller. The Seller has not received notice of any claim which alleges that the Seller is infringing such person's Intellectual Property Rights in relation to the System.

3.5 The System IPRs are not subject to any Encumbrance or any other rights exercisable by other parties, and the Seller is not obliged to grant any Encumbrance in respect of the System IPRs.

4. **Information Technology**

4.1 If the Subsidiary is the legal and beneficial owner of the System Software, then the Subsidiary is the one and only legal and beneficial owner of such System Software; if the Subsidiary is not the legal and beneficial owner of any portion of the System Software or Platform Software, then the Subsidiary and its affiliates, including the Seller, have the contractual right to use, the System Software or Platform Software, free from Encumbrances and all other rights exercisable by other parties. The Seller has obtained all necessary rights from third parties to permit the Subsidiary and its affiliates, including the Seller to use the System Software and Platform Software exclusively and without restrictions and is able to cause the Subsidiary to transfer the System Software and Platform Software to the Buyer.

4.2 The Subsidiary licenses all software necessary to enable the System to continue in the ordinary course of business and the Seller is able to cause the Subsidiary to transfer such software to the Buyer.

4.3 The Seller is not aware of any fact, matter, event or circumstance which may adversely affect the continued use of the System Software or Platform Software by Buyer after Closing 2.

5. **Litigation**

5.1 Neither the Seller nor any person for whom the Seller may be vicariously liable in relation to the System or the System Assets is engaged, concerned or involved in (whether as an applicant, respondent or otherwise) any litigation, arbitration or other proceedings relating to the System or the System Assets which are in progress, threatened or pending by or against the Seller or the System or any of the System Assets and there are no facts of circumstances known to the Seller likely to give rise to any such litigation, arbitration or other proceedings.

PART A – Buyer Warranties

1.1 The Buyer is a company duly incorporated and existing under the laws of British Virgin Islands.

1.2 The Buyer has all requisite corporate power and authority to enter into and perform this Agreement and all agreements and documents ancillary to it.

1.3 This Agreement and all agreements and documents ancillary to it constitute valid, legal, binding and enforceable obligations on the Seller.

1.4 To the knowledge of the Buyer, no order has been made, petition presented or resolution passed for the winding-up of the Buyer and no administration order or administration application or notice of appointment of or notice of intention to appoint an administrator has been made or issued in relation to the Buyer.

1.5 No receiver or administrative receiver has been appointed over any part of the business or assets of Buyer, no application has been made to the court for any such appointment, and no power of sale or power to appoint a receiver or administrative receiver under the terms of any charge, mortgage or security over the System Assets has become exercisable.

1.6 Performance by the Buyer of the terms of this Agreement and such agreements and documents ancillary to it do not and will not conflict with or result in a breach of any of the provisions of the Buyer memorandum or articles of association or any contractual, governmental or public agreement or other obligation made or given by the Buyer.

Exhibit 10.2

CONSENT AND SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS CONSENT AND SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of July 10, 2019 (the "Amendment Effective Date"), is made by and among TRANSENTERIX, INC., a Delaware corporation ("Parent"), TRANSENTERIX SURGICAL, INC., a Delaware corporation ("TSI"), TRANSENTERIX INTERNATIONAL, INC., a Delaware corporation ("TII"), and SAFESTITCH LLC, a Virginia limited liability company ("SafeStitch" and together with Parent, TSI and TII, individually and collectively, jointly and severally, "Borrowers" or "Borrower"), the several banks and other financial institutions or entities party to the Loan Agreement (collectively referred to as "Lender"), and HERCULES CAPITAL, INC., a Maryland corporation, as administrative agent and collateral agent for itself and Lender ("Agent").

RECITALS

A. Borrowers, Lender and Agent are parties to a Loan and Security Agreement dated as of May 23, 2018, as amended by the First Amendment to Loan and Security Agreement dated May 7, 2019 (as further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement").

B . Borrowers have requested that Agent and Lender consent to Parent entering into a certain Autolap System Sale Agreement by and between Parent and Great Belief International Limited, a British Virgin Islands company ("GBI") in substantially the form attached hereto as Exhibit A (the "Purchase Agreement") pursuant to which, among other things, (i) Parent will sell, and GBI will purchase, the System and System Assets (as each term is defined in the Purchase Agreement, collectively, the " Specified Assets"), and (ii) Parent and GBI will enter into the Cross-License Agreement (as defined in the Purchase Agreement) (collectively, the "Autolap Transaction"), and Agent and Lender are willing to consent to the consummation of the Autolap Transaction on the terms and conditions set forth below.

C. Borrowers, Lender and Agent have agreed to certain amendments to the Loan Agreement, subject to the terms and conditions set forth below.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINED TERMS. Capitalized terms used but not defined in this Amendment (including in the Recitals) shall have the meanings assigned to such terms in the Loan Agreement.

SECTION 2. CONSENT TO AUTOLAP TRANSACTION.

(A) Notwithstanding the restrictions set forth in the Loan Agreement, including without limitation, the restrictions set forth in Section 7.8 (Transfers) of the Loan Agreement, Agent and Lender hereby consent to the consummation of the Autolap Transaction and the other transactions contemplated in the Purchase Agreement, subject to the terms of this Amendment and compliance by Borrowers with all of the conditions and requirements set forth herein. The consent provided in this Section 2 shall be deemed revoked if Borrowers are in breach of any provision of this Amendment. Effective upon the consummation of the Autolap Transaction, all security interests and liens of Agent granted by Parent in the Specified Assets shall automatically be released and terminated. In furtherance of the foregoing (i) Agent authorizes Parent, GBI or their respective designees to file a UCC-3 termination statement in the form attached hereto as Exhibit B and (ii) Agent will promptly take all other reasonable actions, including delivering any intellectual property releases, as may be reasonably requested by Borrowers, at Borrowers' expense, in connection with Agent's above-described release and termination of all security interest and liens granted to Agent by Parent in the Specified Assets.

(B) The consent provided in this Section 2 shall be limited precisely as written and shall not be deemed to (i) be a waiver or modification of any other term or condition of any Loan Document, or (ii) prejudice any right or remedy which Agent or Lender may now have or may have in the future under or in connection with any Loan Document.

SECTION 3. AMENDMENTS TO THE LOAN AGREEMENT. Subject to all of the terms and conditions set forth in this Amendment, Borrowers, Agent and Lender hereby agree to the following amendments to the Loan Agreement effective as of the Amendment Effective Date.

(A) Section 7.21(e) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

“(e) For purposes of this Section 7.21, “Waiver Condition” means:

(i) for any period of determination during the 2019 fiscal year, Borrowers shall maintain, at all times, unrestricted Cash in one or more accounts subject to Account Control Agreements in an amount equal to at least $7,000,000; and

(ii) for any period of determination during each fiscal year following the 2019 fiscal year, commencing with the fiscal year ending December 31, 2020, satisfaction of either of the following conditions at all times during such period of determination:

(A) Borrowers shall maintain unrestricted Cash in one or more accounts subject to Account Control Agreements in an amount equal to at least 166% of the principal amount of the Term Loans outstanding; or

(B) (x) Borrowers shall maintain unrestricted Cash in one or more accounts subject to Account Control Agreements in an amount equal to at least 110% of the principal amount of the Term Loans outstanding, and (y) Parent’s market capitalization (determined based on Parent’s public closing price per share (as quoted by Bloomberg L.P. or such other inter-dealer quotation system reasonably acceptable to Agent) multiplied by the fully diluted shares outstanding) shall be at least $150,000,000 (calculated based on a 10-trading day volume weighted average price) at all times, provided that if Parent’s market capitalization falls below $150,000,000, the Waiver Condition shall be deemed satisfied upon Borrowers depositing within five Business Days after Parent’s market capitalization falls below $150,000,000 additional unrestricted Cash into one or more accounts subject to Account Control Agreements in an amount to satisfy the conditions set forth in Section 7.21(e)(ii)(A).”

(B) Exhibit F to the Loan Agreement is hereby amended and restated in its entirety as attached to this Amendment.

SECTION 4. CONDITIONS TO THIS AMENDMENT. The effectiveness of Sections 2 and 3 of this Amendment is subject to Borrowers’ satisfaction of each of the following conditions:

(A) **This Amendment**. Agent shall have received this Amendment executed by Agent, Lender and Borrowers.

(B) **Prepayment**. Lender shall have received a principal payment of $15,000,000, which payment shall not be subject to any Prepayment Charge.

(C) **No Default**. No Event of Default shall have occurred and be continuing immediately prior, or after giving effect, to the consummation of the Autolap Transaction.

SECTION 5. EFFECT ON LOAN DOCUMENTS; RELEASE.

(A) Except as specifically amended by this Amendment, all Loan Documents shall continue to be in full force and effect and are ratified and confirmed in all respects. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any Lender or Agent under any of the Loan Documents, and it shall not constitute a waiver of any provision of the Loan Documents. Any reference to the Loan Agreement in any other Loan Document shall be a reference to the Loan Agreement as amended by this Amendment.

(B) In consideration of the agreements of Agent and each Lender contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Borrower, on behalf of itself and its successors, assigns, and other legal representatives, hereby fully, absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and each Lender, and its successors and assigns, and its present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, Lenders and all such other persons being hereinafter referred to collectively as the “Releasees” and individually as a “Releasee”), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which such Borrower, or any of its successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, for or on account of, or in relation to, or in any way in connection with the Loan Agreement, or any of the other Loan Documents or transactions thereunder or related thereto (collectively, the “Released Claims”). Each Borrower understands, acknowledges and agrees that the release set forth above (the “Release”) may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release. Each Borrower agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above. Without limiting the generality of the foregoing, each Borrower hereby waives the provisions of any statute or doctrine that prevents a general release from extending to claims unknown by the releasing party, including, without limitation, California Civil Code Section 1542, which provides:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Each Borrower acknowledges that the agreements in this Section are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Claims. Each Borrower acknowledges that the Release constitutes a material inducement to Agent and Lender to enter into this Amendment and that Agent and Lender would not have done so but for Agent's and Lender's expectation that the Release is valid and enforceable in all events.

SECTION 6. **<u>REPRESENTATIONS AND WARRANTIES</u>**. Each Borrower represents and warrants, on behalf of itself and each of the other Loan Parties, to Agent and Lender as follows:

(A) Such Borrower's execution, delivery and performance of this Amendment (i) have been duly authorized by all necessary corporate action of such Borrower; (ii) will not result in the creation or imposition of any Lien upon the Collateral (other than Permitted Liens and the Liens created by the Loan Documents, including the Intellectual Property Security Agreement); (iii) do not violate any material provisions of such Borrower's Certificate of Incorporation, bylaws, certificate of formation or operating agreement, as applicable, or any law, regulation, order, injunction, judgment, decree or writ to which such Borrower is subject; and (iv) except as described on <u>Schedule 5.3</u> to the Loan Agreement, does not violate any material contract or agreement or require the consent or approval of any other Person which has not already been obtained.

(B) This Amendment has been duly executed and delivered on such Borrower's behalf by a duly authorized officer thereof, and constitutes a legal, valid and binding obligation of such Borrower, enforceable in accordance with its terms, subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the enforcement of creditors' rights generally and the exercise of judicial discretion in accordance with general principles of equity.

(C) All of Borrowers' representations and warranties contained in the Loan Agreement and all schedules and exhibits thereto are true in all material respects as of the date of this Amendment as though made on the date of this Amendment, except to the extent that such representations and warranties relate expressly to an earlier date.

(D) Each Borrower is in compliance as of the date of this Amendment with all of the terms and provisions set forth in each Loan Document, and there shall be no fact or condition that could (or could, with the passage of time, the giving of notice, or both) constitute an Event of Default as of the date of this Amendment.

SECTION 7. **<u>GOVERNING LAW</u>**. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 8. **<u>COUNTERPARTS</u>**. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery by facsimile, .pdf or other electronic imaging means of an executed counterpart of a signature page to this Amendment shall be effective as delivery of an original executed counterpart of this Amendment. Agent may also require that any such documents and signatures delivered by facsimile, .pdf or other electronic imaging means be confirmed by a manually signed original thereof; <u>provided</u> that the failure to request or deliver the same shall not limit the effectiveness of any document or signature delivered by facsimile, .pdf or other electronic imaging means.

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IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Loan and Security Agreement to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

BORROWERS:

TRANSENTERIX, INC.

By: /s/ Joseph P. Slattery
Name: Joseph P. Slattery
Title: EVP/CFO

TRANSENTERIX SURGICAL, INC.

By: /s/ Joseph P. Slattery
Name: Joseph P. Slattery
Title: EVP/CFO

TRANSENTERIX INTERNATIONAL, INC.

By: /s/ Joseph P. Slattery
Name: Joseph P. Slattery
Title: EVP/CFO

SAFESTITCH LLC

By: TransEnterix, Inc., its sole member

By: /s/ Joseph P. Slattery
Name: Joseph P. Slattery
Title: EVP/CFO

AGENT:

HERCULES CAPITAL, INC.

By: /s/ Jennifer Choe
Name: Jennifer Choe
Title: Assistant General Counsel

LENDERS:

HERCULES CAPITAL, INC.

By: /s/ Jennifer Choe
Name: Jennifer Choe
Title: Assistant General Counsel

HERCULES CAPITAL FUNDING TRUST 2018-1

By: /s/ Jennifer Choe
Name: Jennifer Choe
Title: Assistant General Counsel

HERCULES CAPITAL FUNDING TRUST 2019-1

By: /s/ Jennifer Choe
Name: Jennifer Choe
Title: Assistant General Counsel

SCHEDULE OF EXHIBITS

Exhibit A Form of AutoLap System Sale Agreement

Exhibit B Form of UCC-3 Termination Statement

Exhibit F Form of Compliance Certificate

Exhibit 31.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A)/15D-14(A)

I, Todd M. Pope, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransEnterix, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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.

August 7, 2019

By: /s/ Todd M. Pope

Todd M. Pope
President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A)/15D-14(A)

I, Joseph P. Slattery, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransEnterix, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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.

August 7, 2019

By: /s/ Joseph P. Slattery

Joseph P. Slattery
Executive Vice President and Chief Financial Officer
(principal financial officer and principal accounting officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Todd M. Pope, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and 18 U.S.C. Section 1350, that the Quarterly Report on Form 10-Q of TransEnterix, Inc. (the “Company”) for the quarterly period ended June 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Todd M. Pope

Todd M. Pope
President and Chief Executive Officer
(Principal Executive Officer)

August 7, 2019

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of TransEnterix, Inc. or the certifying officers.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph P. Slattery, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and 18 U.S.C. Section 1350, that the Quarterly Report on Form 10-Q of TransEnterix, Inc. (the “Company”) for the quarterly period ended June 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Joseph P. Slattery

Joseph P. Slattery
Executive Vice President and Chief Financial Officer
(principal financial officer and principal accounting officer)

August 7, 2019

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of TransEnterix, Inc. or the certifying officers.