

As confidentially submitted to the Securities and Exchange Commission on May 16, 2014. This fourth draft registration statement has not been publicly filed with the Securities and Exchange Commission and all information herein remains strictly confidential.

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

HISTOGENICS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

3842
(Primary Standard Industrial
Classification Code Number)

04-3522315
(I.R.S. Employer
Identification Number)

**830 Winter Street, 3rd Floor
Waltham, Massachusetts 02451
(781) 547-7900**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price ⁽¹⁾	Amount of Registration Fee ⁽²⁾
Common Stock, \$0.001 par value		

⁽¹⁾ Estimated pursuant to Rule 457(o) under the Securities Act of 1933, as amended. Includes the offering price attributable to additional shares that the underwriters have the option to purchase to cover over-allotments, if any.

⁽²⁾ Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated May 16, 2014

Shares



Common Stock

\$ per share

- Histogenics Corporation is offering shares.
- We anticipate that the initial public offering price will be between \$ and \$ per share.
- This is our initial public offering and no public market currently exists for our shares.
- Proposed trading symbol: NASDAQ Global Market—HSGX

This investment involves risk. See “Risk Factors” beginning on page 9.

We are an “emerging growth company” as defined by the Jumpstart Our Business Startups Act of 2012 and, as such, we have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount ⁽¹⁾	\$	\$
Proceeds, before expenses, to Histogenics Corporation	\$	\$

(1) See “Underwriting” for additional information regarding underwriter compensation.

The underwriters have a 30-day option to purchase up to additional shares of common stock from us to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved of anyone’s investment in these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Cowen and Company

Roth Capital Partners

The date of this prospectus is , 2014.

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You should rely only on the information contained in this prospectus and any free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with information different from, or in addition to, that contained in this prospectus and any related free writing prospectus. We and the underwriters take no responsibility for, and can provide no assurances as to the reliability of, any information that others may give you. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is only accurate as of the date of this prospectus, regardless of the time of delivery of this prospectus and any sale of shares of our common stock.

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Until and including [redacted], 2014 (25 days after the date of this prospectus), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside of the United States: Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

HISTOGENICS (and design), our logo design and NEOCART are our registered trademarks, and BIOCART is our trademark. This prospectus also contains trademarks, registered marks and trade names of other companies. Any other trademarks, registered marks and trade names appearing in this prospectus are the property of their respective holders.

PROSPECTUS SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus. Because this is only a summary, it does not contain all of the information you should consider before investing in our common stock. You should carefully read the entire prospectus, especially the risks set forth under the heading “Risk Factors” and our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision. References in this prospectus to “Histogenics,” “our company,” “we,” “us” and “our” and other similar references refer to Histogenics Corporation and our consolidated subsidiaries during the periods presented unless the context requires otherwise.

Overview

We are a regenerative medicine company focused on developing and commercializing products in the musculoskeletal segment of the marketplace. Our first product candidate, NeoCart, is being investigated in a Phase 3 clinical trial. NeoCart utilizes various aspects of our regenerative medicine platform to develop an innovative tissue implant intended to treat tissue injury in the field of orthopedics, specifically cartilage damage in the knee. NeoCart is an investigational product and has not been approved for sale in any jurisdiction, including the United States. We have no other products that are approved for sale in the United States and currently we are not selling any other products that may be approved for sale in other jurisdictions.

Our regenerative medicine platform provides the tools to develop NeoCart. Our regenerative medicine platform combines expertise in the following areas:

- Cell processing: the handling of a tissue biopsy, extraction of cells, and expansion of the cells;
- Scaffold: three-dimensional structures that enable the proper distribution of cells and organize cells in their natural environment to support tissue formation;
- Tissue engineering: the use of a combination of cells, engineering and materials to improve or replace biological functions;
- Bioadhesives: natural, biocompatible materials that act as adhesives for biological tissue; and
- Growth factors: naturally occurring substances capable of stimulating cellular growth, proliferation and differentiation.

NeoCart is a cartilage-like implant created using patient’s own cartilage cells through a series of tissue engineering processes. First, the patient’s cells are separated from a tissue biopsy specimen extracted from the patient by a surgeon and multiplied in our laboratory. The cells are then infused into our proprietary scaffold that provides structure for the developing implant. Before NeoCart is implanted in a patient, the cell- and scaffold construct undergoes a bioengineering process in our Tissue Engineering Processor (TEP). Our TEP is designed to mimic the conditions found in a joint so that the implant is prepared to begin functioning like normal healthy cartilage prior to implantation. When the NeoCart implant is implanted, a bioadhesive is used to anchor the NeoCart implant in the cartilage injury and seal the implant to the surrounding native cartilage interface. The use of the bioadhesive eliminates the need for complicated suturing. We believe that the Phase 1 and Phase 2 clinical trials provide preliminary evidence for the safety of the NeoCart implant and improvement in pain and function in patients treated with NeoCart.

We are currently enrolling a Phase 3 clinical trial for NeoCart in the United States to provide evidence of the safety and effectiveness of NeoCart, studying cartilage defects in the knees of 245 patients under a Special Protocol Assessment (SPA) with the U.S. Food and Drug Administration (FDA). Pursuant to the SPA, we formally and prospectively reached agreement with the FDA on key elements of the Phase 3 clinical trial protocol, including design, endpoints and statistical analyses of the resulting study data. The SPA is binding on the FDA review division with limited exceptions. If the clinical trial is successful, the data may be used to

support efficacy claims for NeoCart approval and demonstrate clinical superiority over the current standard of care, microfracture. Microfracture consists of the creation of tiny holes or “fractures” in the bone underneath the injured cartilage leading to formation of a blood clot in the affected area. The blood and bone marrow that form the clot contain stem cells, which are thought to grow into cartilage-building cells. If we are successful in demonstrating superiority to microfracture in improvement in pain and function at 12 months postoperative in our Phase 3 clinical trial and NeoCart is approved for sale in the United States, we believe it would be the first product approved for the first-line treatment of severe cartilage damage to demonstrate clinical superiority over microfracture.

Musculoskeletal-related conditions, including cartilage damage, are one of the most prevalent health problems in the United States. Based on recent publications, we estimate that 1,000,000 knee arthroscopies are performed each year in the United States and we believe cartilage damage is likely to be identified in over 60% of those knee arthroscopies. Cartilage damage is a leading cause of osteoarthritis, a chronic condition in which cartilage breaks down, and the condition most responsible for the estimated 750,000 knee replacements performed in the United States annually. We believe the current alternatives available to treat cartilage damage in the knee, including microfracture, the most frequently used procedure for severe cartilage damage, inadequately address this condition. We believe NeoCart would represent a superior solution to treat cartilage damage in the knee because it has the potential to solve for the limitations of the current treatment alternatives and has the potential to provide improved efficacy, long-term patient benefits, accelerated patient recovery and predictable patient outcomes through a technically straightforward surgical procedure. To date, we have completed two FDA-regulated human clinical trials in the United States. Specifically, we conducted a Phase 1 safety study of eight patients and a Phase 2 randomized controlled exploratory study of 30 patients. The objective of the Phase 1 clinical trial was to demonstrate the safety of NeoCart for use when implanted into cartilage defects in the knee. The objective of the Phase 2 clinical trial was to continue the safety evaluation of NeoCart, gather additional efficacy data compared to microfracture, identify endpoints that are meaningful to patients and physicians, identify appropriate patient populations to receive NeoCart and obtain additional data to be used in design of future clinical studies. NeoCart demonstrated improvement in clinical efficacy based on pain and function measures as compared to microfracture in our Phase 2 clinical trial. We believe our Phase 3 study will confirm the positive Phase 1 and Phase 2 clinical data generated by NeoCart, which we believe are a direct result of our regenerative medicine platform and the elements comprising our platform.

The goal of our Phase 3 clinical trial, which we are currently enrolling, is to demonstrate advantages of NeoCart over microfracture with respect to efficacy, accelerated patient recovery, technically straightforward surgery, long-term patient benefits and positive safety profile. We believe the advantages will allow us to secure approval to sell NeoCart in the United States and will enable us to potentially become a market leader in cartilage repair. We expect to complete enrollment of our NeoCart Phase 3 clinical trial by the first half of 2016, but we may encounter difficulties enrolling patients in our clinical trials, which could delay or otherwise adversely affect our clinical development activities. We have 21 active sites enrolling patients and have randomized 35 patients into the Phase 3 clinical trial as of May 1, 2014. We are enrolling the Phase 3 clinical trial using surgeon-investigators who screen patients with knee pain against a pre-specified set of eligibility criteria after obtaining their consent to participate in the trial. Once randomized into the trial based on eligibility, the patients undergo their surgical treatment and return for evaluation and data collection by the investigators at regular intervals for three years as set forth in the study protocol. We are financing the Phase 3 clinical trial with funds raised from our private financing activities and intend to use the proceeds from this offering to finance the trial through the expected completion of enrollment in the first half of 2016.

In anticipation of potential approval of NeoCart, we have begun to scale our internal current Good Manufacturing Practices manufacturing capabilities and transition the manufacture of all our products in-house at our facilities located in the greater Boston area. The transition commenced in March 2014 with the intent of having the ability to manufacture NeoCart and the critical components of NeoCart with minimal reliance on third parties prior to

commercialization of NeoCart in the event NeoCart is approved. Following this transition, we will be required to obtain FDA approval of the comparability of the critical NeoCart raw materials moved in-house, and if we fail to obtain, or if we experience a delay in obtaining such approval, our business, operating results and prospects will be adversely affected.

We believe our regenerative medicine platform may provide us with the ability to develop a strong pipeline, and that the positive clinical data we have seen in treating cartilage damage of the knee with NeoCart will be applicable to other joints such as the ankle, hip and shoulder. We also believe our regenerative medicine platform has the ability to translate the fundamental science to allow us to develop additional product candidates to treat other soft tissue damage throughout the body such as tendon, ligament and meniscus tears and complex joint degeneration. Although not utilized in connection with our current NeoCart development, our portfolio of proprietary fibroblast growth factors may be explored for their use in optimizing manufacturing yields and we believe they could also have various therapeutic applications including wound healing and fracture healing. We plan to continue investing in our intellectual property portfolio in order to expand and protect our regenerative medicine platform and future product candidates.

Risks Related to Our Business

Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows and prospects that you should consider before making a decision to invest in our common stock. These risks are discussed more fully in “Risk Factors” beginning on page 9. These risks include, but are not limited to, the following:

- We are developing clinical-stage regenerative medicine products and there is a limited amount of information about us upon which you can evaluate our product candidates and business prospects, making an investment in our common stock unsuitable for many investors.
- We have incurred significant losses since our inception, including net losses of \$16.9 million in 2012 and \$25.7 million in 2013 and \$3.4 million in the three months ended March 31, 2014, and anticipate that we will continue to incur substantial losses for the next several years.
- Our audited consolidated financial statements at December 31, 2013 and for the year then ended were prepared assuming that we will continue as a going concern, but state there is substantial doubt about our ability to continue as a going concern, meaning that we may not be able to continue in operation for the foreseeable future or be able to generate revenue and discharge liabilities in the ordinary course of operations.
- We may require substantial additional funding, which may not be available to us on acceptable terms, or at all, and, if not available, may require us to delay, scale back or cease our product development activities and operations.
- Failure to obtain, or any delay in obtaining, FDA approval regarding the comparability of critical NeoCart raw materials following our technology transfer and manufacturing location transition may have an adverse effect on our business, operating results and prospects.
- If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- We are heavily dependent on the success of our lead product candidate NeoCart, which is still under development. If we are unable to successfully commercialize NeoCart, or experience significant delays due to manufacturing or otherwise in doing so, our business will be materially harmed.
- We may experience delays in commencing or conducting our clinical trials or in receiving data from third parties or in the completion of clinical testing, which could result in increased costs to us and delay our ability to generate product candidate revenue.

- If we fail to complete clinical trials and obtain regulatory approval for NeoCart, our business would be significantly harmed.
- Our clinical development of NeoCart could be substantially delayed if the FDA requires us to conduct additional studies or trials or imposes other requirements or restrictions.

Our Corporate Information

We were originally incorporated as a Massachusetts corporation in 2000. In 2006, we underwent a corporate reorganization pursuant to which we were incorporated as a Delaware corporation. Our principal offices are located at 830 Winter Street, 3rd Floor, Waltham, Massachusetts 02451, and our telephone number is (781) 547-7900. Our website address is www.histogenics.com. Our website and the information contained on, or that can be accessed through, our website shall not be deemed to be incorporated by reference in, and are not considered part of, this prospectus. You should not rely on any such information in making your decision whether to purchase our common stock.

Implications of Being an Emerging Growth Company

As a company with less than \$1.0 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act. An emerging growth company may take advantage of specified reduced reporting and other reduced burdens that are otherwise applicable generally to public companies. These provisions include:

- we may present only two years of audited financial statements and only two years of related Management’s Discussion and Analysis of Financial Condition and Results of Operations;
- we are currently exempt from the requirement to obtain an attestation and report from our auditors on our internal control over financial reporting pursuant to the Sarbanes-Oxley Act;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions until December 31, 2019 (the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to this offering) or until such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than \$1.0 billion in annual revenue, have more than \$700 million in market value of our capital stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period. We have chosen to take advantage of some of these reduced burdens and, as such, the information that we provide stockholders may be different than you may receive from other public companies in which you hold equity interests.

THE OFFERING

Shares of common stock offered by us	shares
Shares of common stock outstanding after this offering	shares
Over-allotment option	shares

Use of proceeds

We estimate that we will receive net proceeds from this offering of \$ million, assuming an initial public offering price of \$ per share, the midpoint of the initial public offering price range reflected on the cover page of this prospectus, and after deducting the estimated underwriting discount and offering expenses payable by us. If the underwriters' option to purchase additional shares in this offering is exercised in full, we estimate that our net proceeds will be \$ million.

We intend to use the net proceeds of this offering primarily to develop and advance NeoCart through our current Phase 3 clinical trial and to build out our manufacturing facility, as well as for working capital and general corporate purposes. We expect that our current Phase 3 clinical trial will cost approximately \$ million to complete. See "Use of Proceeds."

Proposed NASDAQ Global Market symbol HSGX

The number of shares of our common stock to be outstanding following this offering is based on 45,344,052 shares outstanding as of May 1, 2014, assuming the conversion of all shares of convertible preferred stock into common stock and excludes:

- shares issuable upon the exercise of warrants outstanding as of May 1, 2014, at an exercise price of \$0.001 per share;
- 5,292,650 shares issuable upon the exercise of options outstanding under our 2012 Equity Incentive Plan as of May 1, 2014, at a weighted average exercise price of \$0.30 per share;
- shares reserved for future issuance under our 2013 Equity Incentive Plan, which became effective in November 2013 but with respect to which no awards will be granted prior to the effective date of the registration statement of which this prospectus is a part, subject to automatic annual adjustment in accordance with the terms of the plan; and
- shares reserved for future issuance under our 2013 Employee Stock Purchase Plan, which became effective in November 2013 but with respect to which no awards will be granted prior to the effective date of the registration statement of which this prospectus is a part, subject to automatic annual adjustment in accordance with the terms of the plan.

Unless otherwise indicated, this prospectus includes and assumes the following, each to occur upon completion of this offering:

- the net (or cashless) exercise of warrants outstanding as of May 1, 2014, to acquire an estimated shares of common stock, assuming an initial public offering price of \$, which is the midpoint of the initial public offering price range reflected on the cover of this prospectus;

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- the exercise of warrants outstanding as of May 1, 2014, to acquire _____ shares of common stock at an exercise price of \$0.001 per share;
- the issuance of an estimated _____ shares of common stock in payment of accrued dividends on outstanding shares of convertible preferred stock, assuming an initial public offering price of \$ _____, which is the midpoint of the initial public offering price range reflected on the cover of this prospectus;
- the automatic conversion of all outstanding shares of our convertible preferred stock into common stock;
- the amendment and restatement of our certificate of incorporation and bylaws; and
- no exercise by the underwriters of their over-allotment option.

The information we present in this prospectus does not reflect a reverse split of our common stock that we may effect prior to the effectiveness of the registration statement of which this prospectus forms a part.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables summarize our consolidated financial data for the periods indicated. The consolidated statement of operations data for the years ended December 31, 2012 and 2013 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statement of operations data for the three months ended March 31, 2013 and 2014 and the consolidated balance sheet data as of March 31, 2014 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of the financial position and the results of operations for these periods. Our historical results are not necessarily indicative of the results to be expected for any future period and the results in any interim period are not necessarily indicative of results to be expected for the full year or any other period. You should read this summary consolidated financial data in conjunction with the sections titled “Selected Consolidated Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, included elsewhere in this prospectus.

	Year Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
Consolidated Statement of Operations Data:	(in thousands, except share and per share amounts)			
Revenue	\$ 26	\$ 8	\$ 5	\$ —
Operating expenses:				
Research and development	11,941	11,946	1,908	3,347
Selling, general and administrative	3,053	4,847	905	1,826
Impairment of goodwill and intangible assets	—	60	—	—
Total operating expense	14,994	16,853	2,813	5,173
Loss from operations	(14,968)	(16,845)	(2,808)	(5,173)
Interest expense, net	(798)	—	—	—
Other expense, net	(13)	(52)	(15)	(2)
Gain on extinguishment of debt	687	—	—	—
Change in fair value of note payable to shareholder	(17)	—	—	—
Change in fair value of warrant liability and other liability	(1,826)	(8,815)	107	1,738
Net loss	\$ (16,935)	\$ (25,712)	\$ (2,716)	\$ (3,437)
Earnings (loss) per common share ⁽¹⁾				
Basic	\$ 1.00	\$ (8.94)	\$ (0.53)	\$ (0.55)
Diluted	\$ 0.26	\$ (8.94)	\$ (0.53)	\$ (0.55)
Weighted-average shares used to compute earnings (loss) per common share ⁽¹⁾				
Basic	2,818,293	6,264,690	6,250,001	6,290,589
Diluted	12,898,629	6,264,690	6,250,001	6,290,589
Pro forma earnings (loss) per common share ⁽¹⁾ :				
Basic	=====	=====	=====	=====
Diluted	=====	=====	=====	=====
Pro forma weighted-average common shares outstanding ⁽¹⁾ :				
Basic	=====	=====	=====	=====
Diluted	=====	=====	=====	=====

⁽¹⁾ Please see Note 2 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate earning (loss) per common share attributable to common stockholders, including the method used to calculate the number of shares used in the computation of the per share amount.

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	As of March 31, 2014	
	Actual	Pro Forma As Adjusted
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$ 3,360	
Working capital ⁽²⁾	36	
Total assets	9,981	
Other long-term liabilities	26,297	
Convertible redeemable preferred stock	57,071	
Total stockholders' equity (deficit)	(78,915)	

⁽²⁾ Working capital is calculated as current assets minus current liabilities.

The pro forma column in the consolidated balance sheet data table above reflects the following, which will occur upon completion of this offering: (1) the automatic conversion of all outstanding shares of our convertible preferred stock into common stock; (2) the net (or cashless) exercise of warrants to acquire an estimated _____ shares of common stock, assuming an initial offering price of \$ _____ which is the midpoint of the initial public offering price range reflected on the cover page of this prospectus; (3) the exercise of warrants to acquire a total of _____ shares of common stock for an aggregate exercise price of \$ _____; and (4) the issuance of an estimated _____ shares of common stock in payment of accrued dividends on outstanding shares of convertible preferred stock. The pro forma as adjusted data further adjusts the pro forma balance sheet data to reflect our sale of _____ shares of common stock in this offering at an assumed initial public offering price of \$ _____ per share, the midpoint of the initial public offering price range reflected on the cover page of this prospectus, and after deducting the estimated underwriting discount and offering expenses payable by us.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and related notes, before deciding whether to purchase shares of our common stock. If any of the following risks are realized, our business, financial condition, results of operations, and prospects could be adversely affected. In that event, the price of our common stock could decline and you could lose part or all of your investment in our common stock.

Risks Related to Our Business and Commercialization of Our Product Candidates

We have a short operating history developing clinical-stage regenerative medicine products and there is a limited amount of information about us upon which you can evaluate our product candidates and business prospects, making an investment in our common stock unsuitable for many investors.

We are a clinical-stage regenerative medicine company, formed in 2000, with a limited operating history. Since inception we have devoted substantially all of our resources to the development of our regenerative medicine platform, the clinical and preclinical advancement of our product candidates, the creation, licensing and protection of related intellectual property rights and the provision of general and administrative support for these operations. We have not yet obtained regulatory approval for any product candidates in any jurisdiction or generated any significant revenues from product sales. If NeoCart or any of our future product candidates fails in clinical trials or preclinical development, or does not gain regulatory approval, or if our product candidates following regulatory approval, if any, do not achieve market acceptance, we may never become profitable or sustain profitability.

We commenced our first clinical trial in 2005, and we have a limited operating history developing clinical-stage regenerative medicine products upon which you can evaluate our business and prospects. In addition, we have never conducted clinical trials of a size required for regulatory approvals. Further, we have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, such as regenerative medicine. For example, to execute our current business plan we will need to successfully:

- execute our research and development strategies, including successfully completing our clinical trial program for NeoCart;
- complete the transition of the NeoCart raw material manufacturing process to our in-house facilities and satisfy the U.S. Food and Drug Administration (FDA) as to the comparability of such raw materials to those manufactured by third parties for use in our NeoCart clinical trials;
- obtain required regulatory approvals for the commercialization of NeoCart;
- manage our spending as costs and expenses increase due to clinical trials, regulatory approvals, manufacturing and commercialization;
- continue to build and maintain a strong intellectual property portfolio;
- build and maintain appropriate research and development, clinical, sales, manufacturing, financial reporting, distribution and marketing capabilities on our own or through third parties;
- secure additional funding as may be needed;
- gain broad market acceptance for our product candidates; and
- develop and maintain successful strategic relationships.

If we are unsuccessful in accomplishing any of these objectives, we may not be able to develop product candidates, raise capital, expand our business or continue our operations.

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We have incurred significant losses since our inception and anticipate that we will continue to incur substantial losses for the next several years.

We have incurred net losses in each year since our inception, including net losses of \$16.9 million in 2012, \$25.7 million in 2013 and \$3.4 million for the three months ended March 31, 2014. As of March 31, 2014 and December 31, 2013, we had an accumulated deficit of \$114.2 million and \$110.8 million, respectively. We expect to continue to incur substantial losses for the next several years, and we expect these losses to increase as we continue our development of and seek regulatory approval for, NeoCart and our future product candidates. In addition, if we receive regulatory approval to market NeoCart or any of our future product candidates, we will incur additional losses as we scale our manufacturing operations and build an internal sales and marketing organization to commercialize any approved products. In addition, we expect our expenditures to increase as we add infrastructure and personnel to support our operations as a public company. We anticipate that our net losses and accumulated deficit for the next several years will be significant as we conduct our planned operations.

Because of the numerous risks and uncertainties associated with regenerative medicine product development, we are unable to accurately predict the timing or amount of the development and clinical expenses or when, or if we will be able to achieve, or maintain, profitability. In addition, our expenses could increase if we are required by the FDA or comparable foreign regulatory authorities to perform preclinical or clinical studies or trials in addition to those currently expected, or if there are any delays in completing the technology transfer and manufacturing location transition of our NeoCart raw material manufacturing process or completing our clinical trials or the development of NeoCart or our future product candidates. The amount of our future net losses will depend, in part, on the amount and timing of our expenses, our ability to generate revenue and our ability to raise additional capital. These net losses have had, and will continue to have, an adverse effect on our stockholders' equity and working capital.

We may require substantial additional funding, which may not be available to us on acceptable terms, or at all, and, if not available, may require us to delay, reduce or cease our product development activities and operations.

We are currently advancing our lead product candidate NeoCart through clinical development. Developing regenerative medicine products, including conducting preclinical studies and clinical trials, is expensive. In addition to the net proceeds of this offering, we may require substantial additional capital in order to complete the clinical development of, create additional manufacturing capacity and to commercialize NeoCart and to conduct the research and development and clinical and regulatory activities necessary to bring other product candidates to market. If the FDA or comparable foreign regulatory authorities require that we perform additional preclinical studies or clinical trials at any point or expand or extend our current trials, our expenses would further increase beyond what we currently expect, and the anticipated timing of any future clinical development activities and potential regulatory approvals will likely be delayed. Raising funds in the then-current economic environment may be difficult and additional funding may not be available on acceptable terms, or at all.

The amount and timing of our future near-term funding requirements will depend on many factors, including:

- the scope, progress, expansion, costs and results of our NeoCart clinical trials;
- the timing of and costs associated with obtaining FDA approval of the comparability of the NeoCart raw materials manufactured in our facilities with the raw materials that were manufactured by third parties for the use in our NeoCart clinical trials;
- the timing of and costs involved in obtaining NeoCart regulatory approvals;
- market acceptance of NeoCart following the receipt of regulatory approval, if any;
- the costs of maintaining, expanding and protecting our intellectual property portfolio, including potential litigation costs and liabilities associated therewith;
- the resources we devote to marketing and, if approved, commercializing NeoCart;

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- the scope, progress, expansion and costs of manufacturing NeoCart;
- our need to implement additional internal systems and infrastructure, including financial and reporting systems, as we become a public company;
- the amount of funds we receive in this offering; and
- the costs associated with being a public company.

Many of these factors are outside of our control. Upon the completion of this offering, based upon our currently expected level of operating expenditures, we believe that we will be able to fund our operations and sustain currently projected cash needs through at least the end of 2017. Our expectations are based on management's current assumptions and clinical development plans, which may prove to be wrong, and we could spend our available financial resources much faster than we currently expect. This period could be shortened if there are any unanticipated increases in spending on development programs. In addition, the expected net proceeds from this offering will not be sufficient to complete the advanced clinical development of all of our product candidates that would be necessary to support an application for regulatory approval. Accordingly, we will continue to require substantial additional capital beyond the expected proceeds of this offering. In order to fund our future needs, we may seek additional funding through equity or debt financings, development partnering arrangements, lines of credit or other sources.

If we are required to secure additional financing, the fundraising efforts may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we are unable to raise additional capital when required or on acceptable terms, we may be required to significantly delay, reduce or discontinue the development or commercialization of one or more of our product candidates or curtail our operations, which will have an adverse effect on our business, operating results and prospects.

Failure to obtain, or any delay in obtaining, FDA approval regarding the comparability of critical NeoCart raw materials following our technology transfer and manufacturing location transition may have an adverse effect on our business, operating results and prospects.

We are in the process of planning a technology transfer to transition the manufacturing of certain raw materials and components in the NeoCart supply chain from outsourced contract manufacturers to in-house manufacturing facilities. We currently have enough of, or access to, these raw materials and components in order to supply our Phase 3 clinical trial through the end of the first quarter of 2016. If our Phase 3 clinical trial enrollment is not complete by the end of the first quarter of 2016, our technology transfer will need to be completed by that time in order to manufacture the supply of raw materials and components to complete the Phase 3 clinical trial and commercialize NeoCart upon FDA approval, if any. This technology transfer extends to the three components of the CT3 bioadhesive—methylated collagen, curing component and activated polyethylene glycol—as well as our collagen preparation and collagen honeycomb scaffold, which are used in the production of NeoCart. Although we do not anticipate changes to the raw materials, formulations or properties, nor do we anticipate changes to the NeoCart manufacturing process or finished product specifications as a result of the transfer, we are required to demonstrate to the FDA that the raw materials manufactured in the new facility are comparable to the raw materials that were manufactured in the previous contract manufacturers' facilities. Demonstrating comparability requires evidence that the product is consistent with that produced for the clinical trial to assure that the technology transfer does not affect safety, identity, purity or efficacy during the expansion from pilot scale to full scale production.

In order to obtain FDA approval of the comparability of the raw materials, we intend to submit an amendment to our existing Investigational New Drug (IND) application file for FDA pre-approval. Prior to submission of the amendment to the IND application, we plan to meet with the FDA to obtain input and agreement with respect to our technology transfer and comparability plans. We currently expect to provide the FDA with a briefing package that will include our technology transfer plan, comparability data that we will have generated from materials

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produced from pilot scale test production runs and a proposed analytical comparability protocol for materials produced from full scale production runs. This demonstration is based on various methods, as recommended in FDA and the International Conference on Harmonization regulatory guidelines, as well as other FDA recognized testing standards.

The FDA may determine that such analytical data is not sufficient to prove comparability of the raw materials produced at our in-house manufacturing sites to the raw materials sourced from external vendors for earlier clinical trial work, including the Phase 3 clinical trial. If this is the case, the FDA may require that we provide additional preclinical or clinical data to provide evidence to support the comparability of the raw materials. The size, scope, length and costs of any new or supplemental clinical trials that may be required by the FDA to provide such data are not known at this time. Failure or delay in obtaining FDA approval of the comparability of our NeoCart raw materials or the FDA requiring us to provide clinical data may result in delays to our current projected timelines and could have an adverse effect on our business, operating results and prospects.

Additionally, our manufacturing sites may not receive FDA approval to operate at all, resulting in delays while we implement improvements necessary to receive approval which would lead to delays in the initiation of commercial production. In addition, we could encounter difficulties involving production yields, quality control and quality assurance, as well as shortages of qualified personnel, leading to additional delays.

If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

We will be required to identify and enroll a sufficient number of patients that meet inclusion criteria under investigation for NeoCart. At the time of our voluntary pause of our NeoCart Phase 3 clinical trial upon discovery of discrepancies in the testing procedures used to assess one of the raw materials utilized in the manufacture of NeoCart implants, we had enrolled 30 patients and we will need to enroll the remaining 215 patients in a timely manner in order to complete the trial on schedule. As of May 1, 2014, we had enrolled five additional patients for a total enrollment of 35 patients. There is a limited patient population from which to draw participants in clinical trials. Due to the need to find patients with few or no concomitant joint disease, we may not be able to identify and enroll a sufficient number of patients, or those with required or desired characteristics and criteria, in a timely manner. In addition, there are a limited number of specialized orthopedic surgeons that perform cartilage repair implantation procedures and among physicians who perform such procedures, some may not choose to perform these procedures under conditions that fall within our protocols, which would have an adverse effect on our development of NeoCart. Our ability to enroll patients in our clinical trials is affected by a number of factors including:

- the size and nature of the patient population;
- the design of the trial protocol;
- the eligibility and exclusion criteria for the trial in question;
- the availability of competing therapies and clinical trials, and physician and patient perception of NeoCart and our other product candidates being studied in relation to these other potential options;
- the efforts to facilitate timely enrollment in clinical trials;
- the ability to identify, solicit and recruit a sufficient number of patients;
- the ability to obtain and maintain patient consent;
- the number and location of clinical sites we enroll;
- the proximity and availability of clinical trial sites for prospective patients;
- the availability of time and resources at the institutions where clinical trials are and will be conducted;
- the availability of raw materials and the possibility of raw materials expiring prior to their use;

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- the presence of concomitant joint disease in patients under investigation;
- the study endpoints such as pain that rely on subjective patient reported outcomes;
- the ability to monitor patients adequately during and after treatment; and
- the risk that enrolled subjects will drop out before study completion.

If we have difficulty enrolling a sufficient number of patients to conduct our clinical trials as planned, we may need to delay or terminate ongoing or planned clinical trials, either of which would have an adverse effect on our business.

A number of companies in the regenerative medicine industry have suffered significant setbacks in later stage clinical trials even after achieving promising results in earlier stages of development. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and initial results from a clinical trial do not necessarily predict final results. Even if early stage clinical trials are successful, we may need to conduct additional clinical trials for product candidates in additional patient populations or under different treatment conditions before we are able to seek approvals from the FDA and regulatory authorities outside the United States to market and sell these product candidates. Our failure to demonstrate the required characteristics to support marketing approval for NeoCart and our product candidates in our planned and future clinical trials would substantially harm our business and prospects.

We are heavily dependent on the success of our lead product candidate NeoCart, which is still under development. If we are unable to commercialize NeoCart, or experience significant delays due to manufacturing or otherwise in doing so, our business will be materially harmed.

We have invested a significant portion of our time and financial resources in the development of NeoCart, our product candidate in clinical development. We anticipate that in the near term our ability to generate revenues will depend solely on the successful development and commercialization of NeoCart. We may not complete our registration filings in our anticipated time frame. Even after we complete our Biologics License Application filing, the FDA may not accept our submission, may request additional information from us, including data from additional clinical trials, and, ultimately, may not grant marketing approval for NeoCart. In addition, the clinical data we have to date often is susceptible to varying interpretations and many companies that have believed that their products performed satisfactorily in clinical trials have nonetheless failed to obtain FDA approval for their products.

If we are not successful in commercializing NeoCart, or are significantly delayed in doing so, our business will be materially harmed and we may need to curtail or cease operations. Our ability to successfully commercialize NeoCart will depend, among other things, on our ability to:

- successfully complete our clinical trials;
- produce, through a validated process, NeoCart in quantities sufficiently large to permit successful commercialization;
- receive marketing approvals from the FDA and similar foreign regulatory authorities;
- launch commercial sales of NeoCart; and
- secure acceptance of NeoCart in the medical community and with third-party payors.

NeoCart and our future product candidates are subject to extensive regulation, compliance with which is costly and time consuming, may cause unanticipated delays or prevent the receipt of the approvals required to commercialize NeoCart and our future product candidates.

The clinical development, manufacturing, labeling, storage, record-keeping, advertising, promotion, import, export, marketing and distribution of NeoCart and our future product candidates are subject to extensive regulation by the FDA in the United States and by comparable authorities in foreign markets. In the United States, we are not permitted to market our product candidates until we receive regulatory approval from the FDA. The process of obtaining regulatory approval is expensive, often takes many years, and can vary substantially based upon the type, complexity, and novelty of the products involved, as well as the target indications. Approval policies or regulations may change and the FDA has substantial discretion in the tissue regeneration approval

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process, including the ability to delay, limit or deny approval of a product candidate for many reasons. Despite the time and expense invested in clinical development of product candidates, regulatory approval is never guaranteed.

The FDA or comparable foreign regulatory authorities can delay, limit or deny approval of a product candidate for many reasons, including:

- such authorities may disagree with the design or implementation of our or any of our future development partners' clinical trials;
- we or any of our future development partners may be unable to demonstrate to the satisfaction of the FDA or other regulatory authorities that a product candidate is safe and effective for any indication;
- such authorities may not accept clinical data from trials which are conducted at clinical facilities or in countries where the standard of care is potentially different from the United States;
- the results of clinical trials may not demonstrate the safety or efficacy required by such authorities for approval;
- we or any of our future development partners may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- such authorities may disagree with our interpretation of data from preclinical studies or clinical trials or the use of results from studies that served as precursors to our current or future product candidates;
- such authorities may find deficiencies in our manufacturing processes or facilities or those of third-party manufacturers with which we or any of our future development partners contract for clinical and commercial supplies; or
- the approval policies or regulations of such authorities may significantly change in a manner rendering our or any of our future development partners' clinical data insufficient for approval.

With respect to foreign markets, approval procedures vary among countries and, in addition to the risks described above, can involve additional product testing, administrative review periods, and agreements with pricing authorities. In addition, events raising questions about the safety of certain marketed pharmaceuticals or biologics may result in increased cautiousness by the FDA and comparable foreign regulatory authorities in reviewing new tissue regeneration products based on safety, efficacy or other regulatory considerations and may result in significant delays in obtaining regulatory approvals. Any delay in obtaining, or inability to obtain, applicable regulatory approvals would prevent us or any of our future development partners from commercializing our product candidates.

NeoCart or any future product candidate we or any of our future development partners advance into clinical trials may cause unacceptable adverse events or have other properties that may delay or prevent its regulatory approval or limit its commercial potential.

Unacceptable adverse events caused by any of our product candidates that we advance into clinical trials could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in the denial of regulatory approval by the FDA or other regulatory authorities for any or all targeted indications and markets. This in turn could prevent us from completing development or commercializing the affected product candidate and generating revenue from its sale.

We have not yet completed testing of any of our product candidates for the treatment of the indications for which we intend to seek approval, and we currently do not know the extent of adverse events, if any, that will be observed in individuals who receive any of our product candidates. If any of our product candidates cause unacceptable adverse events in clinical trials, we may not be able to obtain regulatory approval or commercialize such product candidate.

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The results of preclinical studies and early clinical trials are not always predictive of future results. Any product candidate we or any of our future development partners advance into clinical trials may not have favorable results in later clinical trials, if any, or receive regulatory approval.

Regenerative medicine product development has inherent risk. We or any of our future development partners will be required to demonstrate through adequate and well-controlled clinical trials that our product candidates are effective, with a favorable benefit-risk profile, for use in their target indications before we can seek regulatory approvals for their commercial sale. Regenerative medicine product development is a long, expensive and uncertain process, and delay or failure can occur at any stage of development, including after commencement of any of our clinical trials. In addition, success in early clinical trials does not mean that later clinical trials will be successful because product candidates in later-stage clinical trials may fail to demonstrate sufficient safety or efficacy despite having progressed through initial clinical testing. Furthermore, our future trials will need to demonstrate sufficient safety and efficacy for approval by regulatory authorities in larger patient populations. Companies frequently suffer significant setbacks in advanced clinical trials, even after earlier clinical trials have shown promising results. In addition, only a small percentage of biologics under development result in the submission of a New Drug Application or Biologic Licensing Application to the FDA and even fewer are approved for commercialization.

We are subject to a multitude of manufacturing risks, any of which could substantially increase our costs and limit supply of our products.

The process of manufacturing NeoCart is complex, highly regulated and subject to several risks, including:

- The process of manufacturing NeoCart, including the use of autologous cells, is susceptible to product loss due to contamination, equipment failure or improper installation or operation of equipment, or surgeon or laboratory technician error. Even minor deviations from normal manufacturing processes could result in lost NeoCart production runs, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered in our products or in the manufacturing process or facilities in which our products are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination.
- The manufacturing facilities in which NeoCart is made could be adversely affected by equipment failures, labor shortages, natural disasters, power failures and numerous other factors. For instance, in 2012, we voluntarily suspended manufacturing operations and paused enrollment of the NeoCart Phase 3 clinical trial upon discovery of discrepancies in the testing procedures used to assess one of the raw materials utilized in the manufacture of NeoCart implants and we could be required in the future to suspend manufacturing due to circumstances out of our control.
- We and our contract manufacturers, if any, must comply with the current Good Manufacturing Practices (cGMP) regulations and guidelines promulgated by the FDA. We and our contract manufacturers, if any, may encounter difficulties in achieving quality control and quality assurance and may experience shortages in qualified personnel. We and our contract manufacturers, if any, are subject to inspections by the FDA and comparable agencies in other jurisdictions to confirm compliance with applicable regulatory requirements. Any failure to follow cGMP or other regulatory requirements or delay, interruption or other issues that arise in the manufacture, packaging, storage or shipping of our products as a result of a failure of our facilities or operations, or the facilities or operations of third parties, to comply with regulatory requirements or pass any regulatory authority inspection could significantly impair our ability to develop and commercialize our products, including leading to significant delays in the availability of products for our clinical studies or the termination or hold on a clinical study, or the delay or prevention of a filing or approval of marketing applications for our product candidates. Significant noncompliance could also result in the imposition of sanctions, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approvals for our product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of

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which could damage our reputation. If we are not able to maintain regulatory compliance, we may not be permitted to market our products or may be subject to product recalls, seizures, injunctions, or criminal prosecution.

- Any adverse developments affecting manufacturing operations for our products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our products. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives.

In order to manufacture NeoCart, we operate our own cGMP manufacturing facility in Waltham, Massachusetts for production of NeoCart. We are in the process of locating and subsequently developing a facility for our cGMP manufacturing in the Waltham, Massachusetts area which we plan to build out to produce key NeoCart raw materials, including CT3 components, collagen and scaffold. While we own the manufacturing process, unforeseen issues or outside influences could impact potential supply. For example:

- Our facility in Waltham may not meet FDA cGMP standards during the pre-approval inspection necessary for Biologic Licensing Application approval, delaying Biologic Licensing Application approval and resulting in added cost to mitigate issues identified during inspection.
- The anticipated site that we plan to build out for production of key raw materials may not be completed on our current schedule and once completed may not receive FDA approval to operate, resulting in delays while we implement improvements necessary to receive approval, leading to delays in the initiation of commercial production. We plan to meet with FDA during the course of 2014 to obtain the FDA's input and agreement with respect to our technology transfer and comparability plans.
- The raw material to be produced at the new facility site may not be comparable to the raw materials sourced from external vendors for earlier clinical trial work, including the ongoing NeoCart Phase 3 clinical trial, according to our current projected timelines, and the FDA may delay approval of the new raw material source or require additional studies to show comparability.
- We may not achieve our anticipated production throughput targets, resulting in lower than anticipated capacity, limiting supply of our products, lowering revenue and increasing costs. We may not hit our production cost target for a variety of reasons including increased raw material cost, underestimate of labor requirements, underestimate of capital requirement and other facility, personnel or materials issues that we have not anticipated. Increased costs will adversely impact gross margin achieved by our products.
- The FDA may not approve implementation of the multi-unit NeoCart reactor or approval may be delayed, which could result in capacity limitation or high unit costs, depending upon the length of the delay.

We may fail to comply with any of our obligations under existing agreements pursuant to which we license rights or technology, which could result in the loss of rights or technology that are material to our business.

We are a party to technology licenses that are important to our business and we may enter into additional licenses in the future. We currently hold material licenses from Purpose Co., Ltd., Angiotech Pharmaceuticals (US), Inc., Angiodevice International GmbH, the Board of Trustees of The Leland Stanford Junior University, Yeda Research and Development Co., Ltd., Koken Co., Ltd. and Advanced BioMatrix, Inc. The rights licensed under these agreements, including rights relating to our scaffolds, tissue processor, bioadhesives and growth factors, are material to our regenerative medicine platform and the continued development of NeoCart and our future product candidates. These licenses impose various commercial, contingent payment, royalty, insurance, indemnification and other obligations on us. If we fail to comply with these obligations, the licensor may have the right to terminate the license, in which event we would lose valuable rights under our license agreements and our ability to develop or commercialize product candidates. Any termination or reversion of our rights to under the foregoing agreements may have a material adverse effect on our business, prospects and results of operations.

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Development of regenerative medicine products is inherently expensive and risky and may not be understood by or accepted in the marketplace, which could adversely affect our future value.

The clinical development, commercialization and marketing of regenerative medicine products are at an early-stage, substantially research-oriented, and financially speculative. To date, very few companies have been successful in their efforts to develop and commercialize regenerative medicine products. In general, regenerative medicine products may be susceptible to various risks, including undesirable and unintended side effects, unintended immune system responses, inadequate therapeutic efficacy, potentially prohibitive costs or other characteristics that may prevent or limit their approval or commercial use. Furthermore, the number of people who may use cell- or tissue-based regenerative medicine therapies is difficult to forecast with accuracy. Our future success is dependent on the establishment of a large global market for regenerative medicine products and our ability to capture a share of this market with NeoCart and our future product candidates.

Our development efforts with our regenerative medicine platform are susceptible to the same risks of failure inherent in the development and commercialization of product candidates based on new technologies. The novel nature of regenerative medicine products creates significant challenges in the areas of product development and optimization, manufacturing, government regulation, third-party reimbursement and market acceptance. For example, the FDA has relatively limited experience regulating cell- or tissue-based regenerative medicine therapies, and there are few approved treatments utilizing regenerative medicine products.

Even if we successfully develop and obtain regulatory approval for NeoCart and our future product candidates, the market may not understand or accept them. NeoCart and our future product candidates represent novel treatments and are expected to compete with a number of surgical options and more conventional products and therapies manufactured and marketed by others, including major pharmaceutical and biotechnology companies. The degree of market acceptance of any of our developed and potential product candidates will depend on a number of factors, including:

- the clinical safety and effectiveness of NeoCart and our future product candidates and their perceived advantage over alternative treatment methods, if any;
- adverse events involving NeoCart and our future product candidates or the products or product candidates of others; and
- the cost of our products and the reimbursement policies of government and private third-party payors.

If the health care community does not accept NeoCart or our future product candidates for any of the foregoing reasons, or for any other reason, it could affect our sales, having an adverse effect on our business, financial condition and results of operations.

We will need additional capital to develop and commercialize our product candidates including NeoCart, and we may be unable to raise additional capital when needed at all, which could force us to reduce or discontinue such product candidates.

The amount and timing of our future, long-term funding requirements will depend on many factors, including:

- the type, number, costs and results of the product candidate development programs which we are pursuing or may choose to pursue in the future;
- the scope, progress, expansion, costs and results of our clinical trials;
- the timing of and costs involved in obtaining regulatory approvals;
- market acceptance of any products for which we receive approval;
- our ability to establish and maintain development partnering arrangements;

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- the timing, receipt and amount of contingent, royalty and other payments from our future development partners, if any;
- the emergence of competing technologies and other adverse market developments;
- the costs of maintaining, expanding and protecting our intellectual property portfolio, including potential litigation costs and liabilities;
- the resources we devote to marketing and, if approved, commercializing our product candidates;
- the scope, progress, expansion and costs of manufacturing our product candidates; and
- the costs of financing the purchases of additional capital equipment and development technologies.

If we are unable to raise additional funding for our product candidates, including NeoCart, when needed, we may be required to delay, reduce or terminate some or all of our development programs and clinical trials. We may be required to sell or license to others our technologies, product candidates or development programs that we would have preferred to develop and commercialize ourselves.

If our competitors develop treatments for the target indications of NeoCart or our future product candidates that are approved more quickly, marketed more successfully or demonstrated to be safer or more effective than our product candidates, our commercial opportunity will be reduced or eliminated.

The regenerative medicine industry is intensely competitive and subject to rapid and significant technological change. We face competition from major multinational companies, established and early-stage biotechnology companies, and universities and other research institutions. Many of our competitors have greater financial and other resources, such as larger research and development staff and more experienced marketing and manufacturing organizations. Large pharmaceutical companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and manufacturing products. These companies also have significantly greater research, sales and marketing capabilities and collaborative arrangements in our target markets with leading companies and research institutions. Established companies may also invest heavily to accelerate discovery and development of novel therapeutics or to in-license novel therapeutics that could make the product candidates that we develop obsolete. As a result of all of these factors, our competitors may succeed in obtaining patent protection or FDA approval or discovering, developing and commercializing treatments in the regenerative medicine indications that we are targeting before we do. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies.

There are several clinical-stage development programs in various stages of development that seek to regenerate soft tissue and repair cartilage. In addition, many universities and private and public research institutes may develop technologies that are relevant to our product candidates, but license them to our competitors. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis, technologies and products that are more effective, including a one-step alternative to NeoCart, or less costly than NeoCart or any future product candidates that we may develop, which could render our products obsolete and noncompetitive.

We believe that our ability to successfully compete will depend on, among other things:

- the results of our preclinical studies and clinical trials;
- our ability to recruit and enroll patients for our clinical trials;
- the efficacy, safety and reliability of our product candidates;
- the speed at which we develop our product candidates;
- our ability to design and successfully execute appropriate clinical trials;
- our ability to protect and develop intellectual property rights related to our products;

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- our ability to maintain a good relationship with regulatory authorities;
- the timing and scope of regulatory approvals, if any;
- our ability to commercialize and market any of our product candidates that receive regulatory approval;
- market perception and acceptance of regenerative medicine products;
- acceptance of our product candidates by physicians, patients and institutions;
- the price of our products;
- adequate levels of reimbursement under private and governmental health insurance plans, including Medicare; and
- our ability to manufacture and sell commercial quantities of any approved products to the market.

If our competitors market products that are more effective, safer or less expensive than our future products or that reach the market sooner than our future products, we may not achieve commercial success. Any inability to compete effectively will adversely impact our business and financial prospects.

We have a limited manufacturing capacity for NeoCart and our future product candidates, which could inhibit the long-term growth prospects of this business.

We currently produce materials for clinical trials, including production of NeoCart, at our existing manufacturing facilities in Waltham, Massachusetts, which we have designed and operated to be compliant with FDA, cGMP and the current Good Tissue Practice as and if applicable, requirements. We estimate that we can produce approximately 500 NeoCart units per year in our existing facility once all equipment is purchased and operational. While we believe these facilities provide us with sufficient capacity to meet our expected clinical demand and possibly our commercial launch demand, it is possible that the demand for products could exceed our existing manufacturing capacity. It will become necessary or desirable for us to expand our manufacturing capabilities for our regenerative medicine platform in the future, which may require us to invest significant amounts of capital and to obtain regulatory approvals. If we are unable to meet rising demand for products on a timely basis or unable to maintain cGMP compliance standards, then it is likely that our clients and potential clients will elect to obtain the products from competitors, which could materially and adversely affect the level of our revenues and our prospects for growth.

The current tissue engineering processor (TEP) in our Waltham facility is resource dependent due to the single-unit capacity. We are developing a multi-unit NeoCart reactor design which would alleviate the capacity restraints currently resulting from our single-unit processors and will increase capacity to 2,500 units per year at the existing Waltham, Massachusetts facility. We currently expect to begin implementation of a multi-reactor unit during the first year of product commercialization, thus providing adequate capacity to meet expected demand through the first two years of commercialization from our Waltham facility. The FDA may not, however, approve implementation of the multi-unit NeoCart reactor or approval may be delayed which could result in capacity limitation or high unit costs depending upon the length of the delay. We are collaborating with ST3 Development Corporation to design the multi-unit reactor.

Components of regenerative medicine products approved for commercial sale or used in late-stage clinical trials must be manufactured in accordance with cGMP. In addition, the manufacturing process of regenerative medicine products may be required to be modified from time to time in response to FDA requests. Manufacture of cell- or tissue-based regenerative medicine products is complex and subjects companies to significant regulatory burdens that may change over time. We may encounter difficulties in the production of our product candidates due to our limited manufacturing experience.

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If we are not successful in discovering, developing, acquiring and commercializing additional product candidates, our ability to expand our business will be limited.

A substantial amount of our effort is focused on the continued clinical testing and potential approval of NeoCart and our future product candidates and expanding our product candidates to serve other indications of high unmet medical needs. Research programs to identify other indications require substantial technical, financial and human resources, whether or not any product candidates for other indications are ultimately identified. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for many reasons, including the following:

- the research methodology used may not be successful in identifying potential product candidates;
- competitors may develop alternatives that render our product candidates obsolete or less attractive;
- product candidates we develop may nevertheless be covered by third parties' patents or other exclusive rights;
- a product candidate may on further study be shown to have harmful side effects or other characteristics that indicate it is unlikely to be effective or otherwise does not meet applicable regulatory criteria;
- a product candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all; and
- a product candidate may not be accepted as safe and effective by patients, the medical community or third-party payors, if applicable.

If we do not successfully develop and commercialize product candidates for other indications, our business and future prospects may be limited and our business will be more vulnerable to problems that we encounter in developing and commercializing our current product candidates.

We may experience delays in commencing or conducting our clinical trials or in receiving data from third parties or in the completion of clinical testing, which could result in increased costs to us and delay our ability to generate product candidate revenue.

Before we can initiate clinical trials in the United States for our product candidates, we need to submit the results of preclinical testing to the FDA as part of an IND application, along with other information including information about product candidate chemistry, manufacturing and controls and our proposed clinical trial protocol. We may rely in part on preclinical, clinical and quality data generated by contract research organization and other third parties for regulatory submissions for our product candidates. If these third parties do not make timely regulatory submissions for our product candidates, it will delay our plans for our clinical trials. If those third parties do not make this data available to us, we will likely have to develop all necessary preclinical and clinical data on our own, which will lead to significant delays and increase development costs of the product candidate. In addition, the FDA may require us to conduct additional preclinical testing for any product candidate before it allows us to initiate clinical testing under any IND application, which may lead to additional delays and increase the costs of our preclinical development. Despite the presence of an active IND application for a product candidate, clinical trials can be delayed for a variety of reasons including delays in:

- identifying, recruiting and training suitable clinical investigators;
- reaching agreement on acceptable terms with prospective contract research organizations and trial sites, the terms of which can be subject to extensive negotiation, may be subject to modification from time to time, and may vary significantly among different contract research organizations and trial sites;
- obtaining sufficient quantities of a product candidate for use in clinical trials, including as a result of transferring the manufacturing of a product candidate to another site or manufacturer;
- obtaining and maintaining institutional review board or ethics committee approval to conduct a clinical trial at an existing or prospective site;

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- identifying, recruiting and enrolling subjects to participate in a clinical trial; and
- retaining or replacing participants who have initiated a clinical trial but may withdraw due to adverse events from the therapy, insufficient efficacy, fatigue with the clinical trial process, or personal issues.

The FDA may also put a clinical trial on clinical hold at any time during product candidate development. In addition, we may voluntarily pause a clinical trial for a variety of reasons. For instance, in 2012 we voluntarily suspended manufacturing operations and paused enrollment of the NeoCart Phase 3 clinical trial upon discovery of discrepancies in the testing procedures used to assess one of the raw materials utilized in the manufacture of NeoCart implants and we could be required in the future to suspend manufacturing due to circumstances out of our control.

Once a clinical trial has begun, it may also be delayed as a result of ambiguous or negative interim results. Further, a clinical trial may be suspended or terminated by us, an institutional review board, an ethics committee or a data safety monitoring committee overseeing the clinical trial, any of our clinical trial sites with respect to that site or the FDA or other regulatory authorities due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or clinical trial site by the FDA or other regulatory authorities;
- unforeseen safety issues, known safety issues that occur at a greater frequency or severity than we anticipate, or any determination that the clinical trial presents unacceptable health risks; or
- lack of adequate funding to continue the clinical trial.

Any delays in the commencement of our clinical trials will delay our ability to pursue regulatory approval for our product candidates. Changes in U.S. and foreign regulatory requirements and guidance also may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to institutional review boards for re-examination, which may affect the costs, timing and likelihood of a successful completion of a clinical trial. If we or any of our future development partners experience delays in the completion of, or if we or any of our future development partners must terminate, any clinical trial of any product candidate our ability to obtain regulatory approval for that product candidate will be delayed and the commercial prospects, if any, for the product candidate may suffer as a result. In addition, many of these factors may also ultimately lead to the denial of regulatory approval of a product candidate.

Regulatory authorities, including the FDA and the European Medicines Agency, may disagree with our interpretations of data from pre-clinical studies and clinical trials. Regulatory authorities also may approve a product for narrower indications than requested or may grant approval subject to the performance of post-marketing studies for a product. There can be no guarantee that such post-approval studies, if required, will corroborate the results of earlier trials. Furthermore, the market use of such products may show different safety and efficacy profiles to those demonstrated in the trials on which marketing approval was based. Such circumstances could lead to the withdrawal or suspension of marketing approval for the product, which could have a material adverse effect on our business, financial condition, operating results or cash flows. In addition, regulatory authorities may not approve or agree with the labeling claims that are necessary or desirable for the successful commercialization of our products.

If NeoCart or any future product candidate that we successfully develop does not achieve broad market acceptance among physicians, patients, healthcare payors and the medical community, the revenue that it generates may be limited.

Even if NeoCart or our future product candidates receive regulatory approval, they may not gain market acceptance among physicians, patients, healthcare payors and the medical community. Coverage and

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reimbursement of our product candidates by third-party payors, including government payors, generally is also necessary for commercial success. The degree of market acceptance of any approved product candidates will depend on a number of factors, including:

- the efficacy and safety as demonstrated in clinical trials;
- the clinical indications for which the product candidate is approved;
- acceptance by physicians, major operators of hospitals and clinics and patients of the product candidate as a safe and effective treatment;
- the potential and perceived advantages of product candidates over alternative treatments;
- the safety of product candidates seen in a broader patient group, including their use outside the approved indications;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate reimbursement and pricing by third parties and government authorities;
- relative convenience and ease of administration;
- the prevalence and severity of adverse events;
- the effectiveness of our sales and marketing efforts; and
- unfavorable publicity relating to the product candidate or regenerative medicine products, in general.

If any product candidate is approved but does not achieve an adequate level of acceptance by physicians, hospitals, healthcare payors and patients, we may not generate sufficient revenue from that product candidate and may not become or remain profitable. Ethical, social and legal concerns about regenerative medicine products could result in additional regulations restricting or prohibiting the use of our product candidates.

Insurance coverage and reimbursement may be limited or unavailable in certain market segments for our product candidates, which could make it difficult for us to sell our product candidates profitably.

Market acceptance and sales of NeoCart and our future product candidates will depend significantly on the availability of adequate insurance coverage and reimbursement from third-party payors for any of our product candidates and may be affected by existing and future health care reform measures. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medical treatments they will pay for and establish reimbursement levels. Reimbursement by a third-party payor may depend upon a number of factors including the third-party payor's determination that use of a product candidate is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost effective; and
- neither experimental nor investigational.

Obtaining coverage and reimbursement approval for a product candidate from a government or other third-party payor is a time-consuming and costly process that could require us to provide supporting scientific, clinical and cost effectiveness data for the use of our product candidates to the payor. We may not be able to provide data sufficient to gain acceptance with respect to coverage and reimbursement. We cannot be sure that coverage or adequate reimbursement will be available for any of our product candidates. Also, we cannot be sure that reimbursement amounts will not reduce the demand for, or the price of, NeoCart or our future product

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candidates. If reimbursement is not available or is available only to limited levels, we may not be able to commercialize certain of our product candidates profitably, or at all, even if approved.

In the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to health care systems that could affect our ability to sell our product candidates profitably. In particular, in 2003 the Medicare Modernization Act revised the payment methods for many product candidates under Medicare. This has resulted in lower rates of reimbursement. There have been numerous other federal and state initiatives designed to reduce payment for products.

As a result of legislative proposals and the trend toward managed health care in the United States, third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement of new tissue regenerative medicine products. They may also refuse to provide coverage of approved product candidates for medical indications other than those for which the FDA has granted market approvals. As a result, significant uncertainty exists as to whether and how much third-party payors will reimburse patients for their use of newly approved regenerative medicine products, which in turn will put pressure on the pricing of such products. We expect to experience pricing pressures in connection with the sale of our product candidates due to the trend toward managed health care, the increasing influence of health maintenance organizations, and additional legislative proposals as well as country, regional, or local healthcare budget limitations.

In addition, reimbursement agencies in foreign jurisdictions may be more conservative than those in the United States. Accordingly, in markets outside the United States, the reimbursement for our products may be more limited than in the United States and may be insufficient to generate commercially reasonable revenues and profits.

Failure to obtain or maintain adequate reimbursement for any products for which we receive marketing approval will adversely impact our ability to achieve commercial success.

We may face product liability claims and, if successful claims are brought against us, we may incur substantial liability and costs. If the use of our product candidates harms patients, or is perceived to harm patients even when such harm is unrelated to our product candidates, our regulatory approvals could be revoked or otherwise negatively impacted and we could be subject to costly and damaging product liability claims.

The use of NeoCart and our future product candidates in clinical trials and the sale of any products for which we obtain marketing approval exposes us to the risk of product liability claims. Product liability claims might be brought against us by participants in clinical trials, consumers, healthcare providers, pharmaceutical companies or others selling or otherwise coming into contact with our product candidates and any products for which we obtain marketing approval. There is a risk that our product candidates may induce adverse events, and that such adverse events may not be detected for a long period of time. If we cannot successfully defend against product liability claims, we could incur substantial liability and costs. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- impairment of our business reputation;
- withdrawal of clinical trial participants;
- termination of clinical trial sites or entire trial programs;
- increased costs due to related litigation;
- distraction of management's attention from our primary business;
- substantial monetary awards to patients or other claimants;
- the inability to commercialize our product candidates; and
- decreased demand for our product candidates, if approved for commercial sale.

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We carry product liability insurance that we believe is sufficient in light of our current clinical programs; however, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. If and when we obtain marketing approval for product candidates, we intend to expand our insurance coverage to include the sale of commercial products; however, we may be unable to obtain product liability insurance on commercially reasonable terms or in adequate amounts. On occasion, large judgments have been awarded in class action lawsuits based on regenerative medicine products or medical treatments that had unanticipated adverse effects. In addition, under some of our agreements with clinical trial sites, we are required to indemnify the sites and their personnel against product liability and other claims. A successful product liability claim or series of claims brought against us or any third parties whom we are required to indemnify could cause our stock price to decline and, if judgments exceed our insurance coverage, could adversely affect our results of operations and business.

During the course of treatment, patients may suffer adverse events for reasons that may be related to our product candidates. Such events could subject us to costly litigation, require us to pay substantial amounts of money to injured patients, delay, negatively impact or end our opportunity to receive or maintain regulatory approval to market our products, or require us to suspend or abandon our commercialization efforts. Even in a circumstance in which we do not believe that an adverse event is related to our products, the investigation into the circumstance may be time-consuming or inconclusive. These investigations may interrupt our development and commercialization efforts, delay our regulatory approval process, or impact and limit the type of regulatory approvals our product candidates receive or maintain. As a result of these factors, a product liability claim, even if successfully defended, could have a material adverse effect on our business, financial condition or results of operations.

We do not carry insurance for all categories of risk that our business may encounter and we may not be able to maintain insurance with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our financial position and results of operations.

If we are unable to establish sales and marketing capabilities or fail to enter into agreements with third parties to market and sell any product candidates we may successfully develop, we may not be able to effectively market and sell any such product candidates.

We have no experience selling and marketing any products. We do not currently have any infrastructure for the sale, marketing and distribution of any of our product candidates once approved, if at all, and we must build this infrastructure in order to commercialize any product candidates for which we may obtain approval in the United States or make arrangements with third parties to perform these functions for us outside of the United States. To successfully commercialize any products that may result from our development programs, we will need to develop these capabilities, either on our own or with others. The establishment and development of a sales force, either by us or jointly with a development partner, or the establishment of a contract sales force to market any product candidates we may develop will be expensive and time consuming and could delay any commercial launch. If we or any of our future development partners are unable to establish sales and marketing capabilities or any other nontechnical capabilities necessary to commercialize any product candidates we may successfully develop, we will need to contract with third parties to market and sell such product candidates. We may not be able to establish arrangements with third parties on acceptable terms, if at all.

Legislative or regulatory healthcare reforms in the United States and abroad may make it more difficult and costly for us to obtain regulatory approval of our product candidates and to produce, market and distribute our products after approval is obtained.

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the regulatory approval, manufacture and marketing of regulated products or the reimbursement thereof. In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of NeoCart or any

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future product candidates. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future. Such changes could, among other things, require:

- changes to manufacturing methods;
- additional studies, including clinical studies;
- recall, replacement, or discontinuance of one or more of our products;
- the payment of additional taxes; or
- additional record keeping.

Each of these requirements would likely entail substantial time and cost and could adversely harm our business and our financial results. In addition, delays in receipt of or failure to receive regulatory approvals for any future products would harm our business, financial condition and results of operations. We intend to seek approval to market our product candidates in both the United States and in foreign jurisdictions. If we obtain approval in one or more foreign jurisdictions, we will be subject to rules and regulations in those jurisdictions relating to such product candidate. If reimbursement of our future products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, we may be unable to achieve or sustain profitability.

We currently rely on third parties in order to perform certain aspects of our business, including to support certain aspects of our clinical trials and to supply the NeoCart tissue engineering processor. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon third parties to monitor and manage data for our ongoing clinical programs. We rely on these parties for execution of our clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, and our reliance on third parties does not relieve us of our regulatory responsibilities. We also rely on third parties to assist in conducting our nonclinical studies in accordance with good laboratory practices. We and our third-party service providers are required to comply with good clinical practices, which are regulations and guidelines enforced by the FDA, as well as comparable foreign regulations and guidelines, for all of our product candidates in clinical development. Regulatory authorities enforce these good clinical practices through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our third-party service providers or clinical trial sites fail to comply with applicable good clinical practices, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with good clinical practices requirements. In addition, our clinical trials must be conducted with product produced under applicable good manufacturing practices requirements. Failure to comply with these regulations may require us to repeat nonclinical and clinical trials, which would delay the regulatory approval process.

Our third-party service providers are not our employees, and except for remedies available to us under our agreements with such third parties, we cannot control whether or not they devote sufficient time and resources to our on-going clinical and nonclinical programs. If third-party service providers do not successfully carry out their contractual duties or obligations or meet expected deadlines or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

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Because we have relied on third parties, our internal capacity to perform these functions is limited. Outsourcing these functions involves risk that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party service providers. To the extent we are unable to identify and successfully manage the performance of third-party service providers in the future, our business may be adversely affected. Although we carefully manage our relationships with our third-party service providers, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

We are also dependent on third-party suppliers, most of which are sole source suppliers of the components used to manufacture our TEP. If these third-party suppliers do not supply sufficient quantities to us on a timely basis and in accordance with applicable specifications and other regulatory requirements, there could be a significant interruption of our ability to supply, which would adversely affect clinical development or commercial production of the product candidate. Furthermore, if any of these third parties cannot successfully supply TEPs that we require for our production that conforms to our specifications and with regulatory requirements, we will not be able to meet demand, for our product candidates.

We do not expect to have the resources or capacity to commercially manufacture TEPs required to manufacture our proposed product candidates if approved, and will likely continue to be dependent on third-party suppliers. Our dependence on third parties to manufacture and supply us with these TEPs may adversely affect our ability to develop and commercialize our product candidates on a timely basis.

We may not be successful in establishing and maintaining development or other strategic partnerships, which could adversely affect our ability to develop and commercialize product candidates.

As part of our strategy, we intend to enter into development or other strategic partnerships in the future, including collaborations with major biotechnology or pharmaceutical companies. We face significant competition in seeking appropriate partners and the negotiation process is time consuming and complex. Moreover, we may not be successful in our efforts to establish a development partnership or other alternative arrangements for any of our other existing or future product candidates and programs because our research and development pipeline may be insufficient, our product candidates and programs may be deemed to be at too early a stage of development for collaborative effort or third parties may not view our product candidates and programs as having the requisite potential to demonstrate safety and efficacy. Even if we are successful in our efforts to establish development partnerships, the terms that we agree upon may not be favorable to us and we may not be able to maintain such development partnerships if, for example, development or approval of a product candidate is delayed or sales of an approved product candidate are disappointing. Any delay in entering into development partnership agreements related to our product candidates could delay the development and commercialization of our product candidates and reduce their competitiveness if they reach the market.

Moreover, if we fail to establish and maintain development or other strategic partnerships related to our product candidates:

- the development of certain of our current or future product candidates may be terminated or delayed;
- our cash expenditures related to development of certain of our current or future product candidates would increase significantly and we may need to seek additional financing;
- we may be required to hire additional employees or otherwise develop expertise, such as sales and marketing expertise, for which we have not budgeted; and
- we will bear all of the risk related to the development of any such product candidates.

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We may need to expand our operations and increase the size of our company and we may experience difficulties in managing any such growth.

As we continue to advance NeoCart towards potential commercialization, increase the number of ongoing product development programs and advance our future product candidates through preclinical studies and clinical trials, we will need to expand our development, regulatory, manufacturing, marketing and sales capabilities and, in some cases, collaborate and contract with third parties to provide these capabilities for us. Our management, personnel and systems currently in place may not be adequate to support this future growth. Our need to effectively manage our operations, growth and various projects requires that we:

- successfully attract and recruit new employees or consultants with the requisite expertise and experience;
- manage our clinical programs effectively;
- develop a marketing and sales infrastructure if we receive regulatory approval for any product candidate;
- continue to improve our operational, financial and management controls, reporting systems and procedures, including those related to being a public company; and
- construct, validate and effectively operate new and expanded manufacturing facilities.

If we are unable to successfully manage this growth and increased complexity of operations, our business may be adversely affected.

If we fail to hire and effectively integrate new executive officers into our organization, the future development and commercialization of our product candidates may suffer, harming future regulatory approvals, sales of our product candidates or our results of operations.

Our current management team has only been working together for a relatively short period of time and a majority of our current management team has been employed by us for less than a year. In addition, effective as of February 28, 2014, Peter Greenleaf resigned as our president and chief executive officer and as one of our directors. We recently hired Adam Gridley to serve as our president and chief executive officer, starting May 12, 2014, and as a director, effective April 30, 2014, and we expect to continue to expand our management team in the future. Our future performance will depend significantly on our ability to successfully integrate our new chief executive officer and other recently and subsequently hired executive officers into our management team, and on those officers' ability to develop and maintain an effective working relationship. Our failure to integrate recently and subsequently hired executive officers, including our new chief executive officer, with other members of management could result in inefficiencies in the development and commercialization of our product candidates, harming future regulatory approvals, sales of our product candidates and our results of operations.

We may not be able to manage our business effectively if we are unable to attract and retain key personnel and consultants, including a qualified new chief executive officer.

Given the specialized nature of regenerative cell therapy and that it is a relatively new field, there is an inherent scarcity of experienced personnel in the field. We may not be able to attract or retain qualified management (including a new chief executive officer), finance, scientific and clinical personnel and consultants due to the intense competition for qualified personnel and consultants among biotechnology, pharmaceutical and other businesses. If we are not able to attract and retain necessary personnel and consultants to accomplish our business objectives, we may experience constraints that will significantly impede the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy.

Our industry has experienced high turnover of management personnel in recent years. We are highly dependent on the development, regulatory, commercialization and business development expertise of our senior management team. The loss of Mr. Greenleaf or one or more additional executive officers or key employees,

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could seriously harm our ability to implement our business strategy successfully. While we have entered into employment contracts with each of our executive officers, including our new chief executive officer, any of them could leave our employment at any time, as all of our employees are at-will employees. Replacing key personnel and consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain regulatory approval of and commercialize products successfully. Competition to hire and retain employees and consultants from this limited pool is intense, and we may be unable to hire, train, retain or motivate these additional key personnel and consultants. Our failure to retain key personnel or consultants could materially harm our business, and the transition to any replacement personnel, particularly at the chief executive officer position, may cause or result in:

- speculation and uncertainty about our business and future direction;
- distraction of our employees and management;
- difficulty in recruiting, hiring, motivating and retaining talented and skilled personnel;
- volatility in our stock price; and
- difficulty in negotiating, maintaining or consummating business or strategic relationships or transactions.

We rely on our scientific and clinical advisors and consultants to assist us in formulating our research, development and clinical strategies. These advisors and consultants are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. In addition, these advisors and consultants typically will not enter into non-compete agreements with us. If a conflict of interest arises between their work for us and their work for another entity, we may lose their services. Furthermore, our advisors may have arrangements with other companies to assist them in developing products or technologies that may compete with ours. If we are unable to maintain consulting relationships with our key advisors or consultants or if they provide services to our competitors, our development and commercialization efforts will be impaired, and our business will be significantly harmed.

Our independent registered public accounting firm has included an explanatory paragraph relating to our ability to continue as a going concern in its report on our audited financial statements included in this prospectus.

Our audited consolidated financial statements at December 31, 2013 and for the year then ended were prepared assuming that we will continue as a going concern. However, the report of our independent registered public accounting firm included elsewhere in this prospectus contains an explanatory paragraph on our consolidated financial statements stating there is substantial doubt about our ability to continue as a going concern, meaning that we may not be able to continue in operation for the foreseeable future or be able to realize assets and discharge liabilities in the ordinary course of operations. Such an opinion could materially limit our ability to raise additional funds through the issuance of new debt or equity securities or otherwise. There is no assurance that sufficient financing will be available when needed to allow us to continue as a going concern. The perception that we may not be able to continue as a going concern may also make it more difficult to operate our business due to concerns about our ability to meet our contractual obligations.

Failure to build our finance infrastructure and improve our accounting systems and controls could impair our ability to comply with the financial reporting and internal control requirements for publicly traded companies.

As a public company, we will operate in an increasingly demanding regulatory environment, which requires us to comply with the Sarbanes-Oxley Act and the related rules and regulations of the SEC, expanded disclosure requirements, accelerated reporting requirements and more complex accounting rules. Company responsibilities required by the Sarbanes-Oxley Act include establishing corporate oversight and adequate internal control over financial reporting and disclosure controls and procedures. Effective internal controls are necessary for us to produce reliable financial reports and are important to help prevent financial fraud.

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Pursuant to Section 404 of the Sarbanes-Oxley Act and related rules, our management will be required to report upon the effectiveness of our internal control over financial reporting. When and if we are a “large accelerated filer” or an “accelerated filer” and are no longer an “emerging growth company,” each as defined in the Securities Exchange Act, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting. However, for so long as we remain an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 for a period of no more than 5 years. Once we are no longer an emerging growth company or, if prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. To comply with the requirements of being a reporting company under the Securities Exchange Act, we need to: upgrade our systems, including information technology; implement additional financial and management controls, reporting systems and procedures; and hire additional accounting and finance staff.

We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements.

Our management team is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

During the course of preparing for this offering, our management team determined that we had material weaknesses in our internal control over financial reporting. The material weaknesses are or were as follows:

- Adequate controls are not in place to appropriately segregate duties in areas such as journal entries, cash disbursements, impairment of intangible assets and the calculation and recording of income taxes.
- Our controls and procedures over the accounting for and reporting of complex accounting matters were not effectively designed due to a failure to design and implement appropriate policies and procedures to ensure that the accounting and valuation of complex debt and equity transactions is in accordance with GAAP.
- Our controls were not effectively implemented in the financial statement close process to ensure that proper cut-off of accrued expenses was achieved at interim periods.

The material weakness identified in the second bullet point above resulted in restatements of our consolidated financial statements for the period from June 28, 2000 (date of inception) to December 31, 2009 that affected the carrying value of various series of preferred stock, additional paid-in capital, accumulated deficit, interest expense and change in fair value of warrant liability and other liability. We engaged external resources to provide technical expertise to ensure that appropriate controls were in place to properly account for complex debt and equity transactions for the year ended December 31, 2012.

We have remediated the material weaknesses noted above in the second and third bullet points which related to the years ended December 31, 2011 and 2012 and the period ended September 30, 2013, and we are continuing to take the necessary steps to remediate the material weakness identified in the first bullet point relating to segregation of duties. However, we cannot assure you that our remediative measures will be sufficient or that we

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will not have other material weaknesses or significant deficiencies in our internal control over financial reporting. If we are unable to successfully remediate any material weakness or significant deficiency in our internal control over financial reporting, or identify any material weaknesses or significant deficiencies that may exist, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, and our stock price may decline materially as a result.

Historically, we have not had sufficient accounting and supervisory personnel with the appropriate level of technical accounting experience and training necessary, or adequate formally documented accounting policies and procedures, to support effective internal control and appropriate segregation of duties. We have commenced the process of formally documenting, reviewing and improving our internal control over financial reporting. We have made efforts to improve our internal control and accounting policies and procedures. These efforts include hiring new accounting personnel and engaging external temporary resources to supplement our accounting function until full time accounting personnel can be hired.

Pursuant to Section 404(a) of the Sarbanes-Oxley Act, we will be required to furnish a report by our management on our internal control over financial reporting. We have begun the process of documenting and evaluating our system of internal control over financial reporting necessary for our management to issue this report. However, we anticipate that we will need to retain additional finance capabilities and build our financial infrastructure as we transition to operating as a public company, including complying with the requirements of Section 404 of the Sarbanes-Oxley Act. As we begin operating as a public company following this offering, we will need to continue improving our financial infrastructure with the retention of additional financial and accounting capabilities, the enhancement of internal control and additional training for our financial and accounting staff.

Until we are able to expand our finance and administrative capabilities and establish necessary financial reporting infrastructure, we may not be able to prepare and disclose, in a timely manner, our financial statements and other required disclosures or comply with the Sarbanes-Oxley Act or existing or new reporting requirements. If we cannot provide reliable financial reports or prevent fraud, our business and results of operations could be harmed and investors could lose confidence in our reported financial information.

If we engage in an acquisition, reorganization or business combination, we will incur a variety of risks that could adversely affect our business operations or our stockholders.

From time to time we have considered, and we will continue to consider in the future, strategic business initiatives intended to further the expansion and development of our business. These initiatives may include acquiring businesses, technologies or products or entering into a business combination with another company. For instance, in 2011, we acquired ProChon Biotech Ltd. Although we intend to evaluate and consider acquisitions, reorganizations and business combinations in the future, we have no agreements or understandings with respect to any acquisition, reorganization or business combination at this time. Any acquisitions we undertake, including our prior acquisition of ProChon Biotech Ltd., will likely be accompanied by business risks which may include:

- the effect of the acquisition on our financial and strategic position and reputation;
- the need to reprioritize our development programs and even cease development and commercialization of our product candidates;
- the failure of an acquisition to result in expected benefits, which may include benefits relating to enhanced revenues, technology, human resources, costs savings, operating efficiencies, goodwill and other synergies;
- the difficulty, cost and management effort required to integrate the acquired businesses, including costs and delays in implementing common systems and procedures and costs and delays caused by communication difficulties;

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- the assumption of certain known or unknown liabilities of the acquired business, including litigation-related liabilities;
- the reduction of our cash available for operations and other uses, the increase in amortization expense related to identifiable assets acquired, potentially dilutive issuances of equity securities or the incurrence of debt;
- a lack of experience in new markets, new business culture, products or technologies or an initial dependence on unfamiliar distribution partners;
- the possibility that we will pay more than the value we derive from the acquisition;
- the impairment of relationships with customers, partners or suppliers of the acquired business; and
- the potential loss of key employees of the acquired company.

These factors could harm our business, results of operations or financial condition.

In addition to the risks commonly encountered in the acquisition of a business or assets as described above, we may also experience risks relating to the challenges and costs of evaluating or closing a transaction, including distraction of our management team from normal business operations. The risks described above may be exacerbated as a result of managing multiple acquisitions at once.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

We have incurred substantial losses during our history and do not expect to become profitable in the foreseeable future and may never achieve profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire. We may be unable to use these losses to offset income before such unused losses expire. Under Section 382 of the Internal Revenue Code, Under Section 382 and 383 of the Internal Revenue Code (Code), utilization of net operating losses and research and development credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred or that could occur in the future. In general an “ownership change” as defined by section 382 of the Code results from a transaction or series of transactions over a three year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders. We have in the past experienced ownership changes that have resulted in limitations on the use of a portion of our net operating loss carryforwards. If we experience further ownership changes in connection with or after this offering, our ability to utilize our net operating loss carryforwards could be further limited.

Our internal computer systems, or those of our development partners, third-party clinical research organizations or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our product development programs.

Despite the implementation of security measures, our internal computer systems and those of our development partners, third-party clinical research organizations and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our programs. For example, the loss of clinical trial data for any of our product candidates could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications or other data or applications relating to our technology or product candidates, or inappropriate disclosure of confidential or proprietary information, we could incur liabilities and the further development of our product candidates could be delayed.

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We use hazardous chemicals and biological materials in our business. Any claims relating to improper handling, storage or disposal of these materials could be time consuming and costly. We may incur significant costs complying with environmental laws and regulations.

Our research and development and manufacturing processes involve the controlled use of hazardous materials, including chemicals and biological materials. Our operations produce hazardous waste products. We cannot eliminate the risk of accidental contamination or discharge and any resultant injury from these materials. We may be sued for any injury or contamination that results from our use or the use by third parties of these materials, and our liability may exceed our insurance coverage and our total assets. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of these hazardous materials and specified waste products, as well as the discharge of pollutants into the environment and human health and safety matters. Compliance with environmental laws and regulations may be expensive and may impair our research, development and production efforts. If we fail to comply with these requirements, we could incur substantial costs, including civil or criminal fines and penalties, clean-up costs or capital expenditures for control equipment or operational changes necessary to achieve and maintain compliance. In addition, we cannot predict the impact on our business of new or amended environmental laws or regulations or any changes in the way existing and future laws and regulations are interpreted and enforced.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with the regulations of the FDA or foreign regulators, failure to provide accurate information to regulatory authorities, failure to comply with manufacturing standards we have established, failure to comply with federal and state health care fraud and abuse laws and regulations in the United States and abroad, failure to report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and cause harm to our reputation. We have adopted a code of business conduct and ethics, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

In addition, during the course of our operations our directors, executives and employees may have access to material, nonpublic information regarding our business, our results of operations or potential transactions we are considering. We may not be able to prevent a director, executive or employee from trading in our common stock on the basis of, or while having access to, material, nonpublic information. If a director, executive or employee was to be investigated or an action was to be brought against a director, executive or employee for insider trading, it could have a negative impact on our reputation and our stock price. Such a claim, with or without merit, could also result in substantial expenditures of time and money and divert attention of our management team from other tasks important to the success of our business.

Requirements associated with being a public reporting company will increase our costs significantly, as well as divert significant company resources and management attention.

We will be subject to the reporting requirements of the Securities Exchange Act and the other rules and regulations of the SEC upon consummation of this offering. We are working with our legal, independent accounting and financial advisors to identify those areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public reporting company. These areas include corporate governance, corporate control, disclosure controls and procedures, and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas. Compliance with the various reporting and other requirements applicable to public reporting companies will require considerable time, attention of management and financial resources. In addition, the changes we make may not be sufficient to allow us to satisfy our obligations as a public reporting company on a timely basis.

Further, the listing requirements of NASDAQ require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel will need to devote a substantial amount of time to ensure that we comply with all of these requirements. Moreover, the reporting requirements, rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. These reporting requirements, rules and regulations, coupled with the increase in potential litigation exposure associated with being a public company, could also make it more difficult for us to attract and retain qualified persons to serve as our directors or executive officers, or to obtain certain types of insurance, including directors' and officers' insurance, on acceptable terms.

Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by manmade problems such as terrorism. If any of our manufacturing, processing or storage facilities are damaged or destroyed, our business and prospects would be adversely affected.

A significant natural disaster, such as an earthquake, fire or flood, or a significant power outage, could have a material adverse impact on our business, operating results and financial condition. If any of our manufacturing, processing or storage facilities, or any of the equipment in such facilities were to be damaged or destroyed, this would force us to delay or halt our clinical trial or commercial production processes. We currently produce materials for our clinical trials at our manufacturing facilities located in Waltham, Massachusetts. If these facilities or the equipment in them are significantly damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity. In addition, natural disasters could affect our third-party service providers' and manufacturers ability to perform services and provide materials for us on a timely basis. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, our efforts to obtain regulatory approvals for, and to commercialize, our product candidates may be delayed or prevented. For example, if a central laboratory holding all of our clinical product supply were to suffer a catastrophic loss of their facility, we would be required to delay our clinical trials. In addition, acts of terrorism could cause disruptions in our business or the business of our third-party service providers, partners, customers or the economy as a whole.

Risks Related to Regulatory Approval

If we fail to complete clinical trials and obtain regulatory approval for NeoCart, our business would be significantly harmed.

We have not completed clinical development for any of our product candidates and will only obtain regulatory approval to commercialize a product candidate if we can demonstrate to the satisfaction of the FDA or comparable foreign regulatory authorities in well-designed and conducted clinical trials that the product candidate is safe, effective, and otherwise meets the appropriate standards required for approval for a particular class of products or indication. Clinical trials are lengthy, complex and extremely expensive processes with uncertain results. A failure of one or more clinical trials may occur at any stage. Of the large number of products in development, only a small percentage successfully complete the FDA regulatory approval process and are commercialized.

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We have never obtained marketing approval from the FDA or any comparable foreign regulatory authority for any product candidate. Our ability to obtain regulatory approval of our product candidates depends on, among other things, whether our clinical trials demonstrate statistically significant efficacy with safety issues that do not potentially outweigh the therapeutic benefit of the product candidates, and whether the regulatory agencies agree that the data from our future clinical trials is sufficient to support approval for any of our product candidates. The final results of our current and future clinical trials may not meet the FDA's or other regulatory agencies' requirements to approve a product candidate for marketing, and the regulatory agencies may otherwise determine that our manufacturing processes or facilities are insufficient to support approval. We may need to conduct more clinical trials than we currently anticipate. Even if we do receive FDA or other regulatory agency approval, we may not be successful in commercializing approved product candidates. If any of these events occur, our business could be materially harmed and the value of our common stock would likely decline.

Our clinical development of NeoCart could be substantially delayed if the FDA requires us to conduct additional studies or trials or imposes other requirements or restrictions.

We will need to generate and provide the FDA with comparability data from our new raw material production for the collagen critical raw materials used in our manufacturing process and intended for clinical use. The FDA may also require us to generate additional preclinical or clinical data to support the use of these new critical raw material suppliers in our NeoCart trial. Additionally, the FDA may impose other requirements on the protocol for our NeoCart trial. These additional requirements may cause further delays in our NeoCart trial which could require us to incur additional development costs, seek funding for these increased costs or delay or cease our clinical development activities for NeoCart. Any inability to advance NeoCart or any other product candidate through clinical development would have a material adverse effect on our business. For example, the recently enacted Food and Drug Administration Safety and Innovation Act made permanent the Pediatric Research Equity Act, which requires a sponsor to conduct pediatric studies for most tissue regeneration products for a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration. Under the Pediatric Research Equity Act, original New Drug Applications and Biologic Licensing Applications and supplements thereto must contain a pediatric assessment unless the sponsor has received a deferral or waiver. The required assessment must evaluate the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The sponsor or FDA may request a deferral of pediatric studies for some or all of the pediatric subpopulations, and it is likely that we will request such a deferral. A deferral may be granted for several reasons, including a finding that the tissue regeneration products is ready for approval for use in adults before pediatric studies are complete or that additional safety or effectiveness data needs to be collected before the pediatric studies begin. The FDA must send a non-compliance letter to any sponsor that fails to submit the required assessment, keep a deferral current or fails to submit a request for approval of a pediatric formulation.

We are subject to numerous U.S. federal and state laws pertaining to health care fraud and abuse, including anti-kickback, self-referral, false claims and fraud laws, and any violation by us of such laws could result in fines or other penalties.

If one or more of our product candidates is approved, we will be subject to U.S. federal and state laws intended to prevent health care fraud and abuse. The federal anti-kickback statute prohibits the offer, receipt, or payment of remuneration in exchange for or to induce the referral of patients or the use of products or services that would be paid for in whole or part by Medicare, Medicaid or other federal health care programs. Remuneration has been broadly defined to include anything of value, including cash, improper discounts, and free or reduced price items and services. Many states have similar laws that apply to their state health care programs as well as private payors. Violations of the anti-kickback laws can result in exclusion from federal health care programs and substantial civil and criminal penalties.

The False Claims Act imposes liability on persons who, among other things, present or cause to be presented false or fraudulent claims for payment by a federal health care program. The False Claims Act has been used to prosecute persons submitting claims for payment that are inaccurate or fraudulent, that are for services not

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provided as claimed, or for services that are not medically necessary. The False Claims Act includes a whistleblower provision that allows individuals to bring actions on behalf of the federal government and share a portion of the recovery of successful claims. If our marketing or other arrangements were determined to violate the False Claims Act or anti-kickback or related laws, then our revenue could be adversely affected, which would likely harm our business, financial condition and results of operations.

State and federal authorities have aggressively targeted medical technology companies for alleged violations of these anti-fraud statutes, based on improper research or consulting contracts with doctors, certain marketing arrangements that rely on volume-based pricing, off-label marketing schemes and other improper promotional practices. Companies targeted in such prosecutions have paid substantial fines in the hundreds of millions of dollars or more, have been forced to implement extensive corrective action plans or Corporate Integrity Agreements, and have often become subject to consent decrees severely restricting the manner in which they conduct their business. If we become the target of such an investigation or prosecution based on our contractual relationships with providers or institutions, or our marketing and promotional practices, we could face similar sanctions, which would materially harm our business.

The Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We cannot assure you that our internal control policies and procedures will protect us from reckless or negligent acts committed by our employees, future distributors, partners, collaborators or agents. Violations of these laws, or allegations of such violations, could result in fines, penalties or prosecution and have a negative impact on our business, results of operations and reputation.

Also, the Physician Payment Sunshine Act imposes new reporting and disclosure requirements on drug, device, biologic and medical supply manufacturers for any “transfer of value” made or distributed to prescribers and other healthcare providers. In addition, device and drug manufacturers will also be required to report and disclose any investment interests held by physicians and their immediate family members during the preceding calendar year. Failure to submit required information may result in significant civil monetary penalties.

Our failure to comply with extensive governmental regulation may significantly affect our operating results.

Even if we obtain regulatory approval for some or all of our product candidates, we will continue to be subject to extensive ongoing requirements by the FDA, as well as by a number of foreign, national, state and local agencies. These regulations will impact many aspects of our operations, including testing, research and development, manufacturing, safety, efficacy, labeling, storage, quality control, adverse event reporting, import and export, record keeping, approval, distribution, advertising and promotion of our future products. We must also submit new or supplemental applications and obtain FDA approval for certain changes to an approved product, product labeling or manufacturing process. Application holders must also submit advertising and other promotional material to the FDA and report on ongoing clinical trials. The FDA enforces post-marketing regulatory requirements, including cGMP requirements, through periodic unannounced inspections. We do not know whether we will pass any future FDA inspections. Failure to pass an inspection could disrupt, delay or shut down our manufacturing operations. Failure to comply with applicable regulatory requirements could, among other things, result in:

- administrative or judicial enforcement actions;
- changes to advertising;
- failure to obtain marketing approvals for our product candidates;
- revocation or suspension of regulatory approvals of products;
- product seizures or recalls;
- court-ordered injunctions;
- import detentions;

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- delay, interruption or suspension of product manufacturing, distribution, marketing and sales; or
- civil or criminal sanctions.

The discovery of previously unknown problems with our product candidates or future products may result in restrictions of the products, including withdrawal from the market. In addition, the FDA may revisit and change its prior determinations with regard to the safety or efficacy of our future products. If the FDA's position changes, we may be required to change our labeling or cease to manufacture and market our future products. Even prior to any formal regulatory action, we could voluntarily decide to cease the distribution and sale or recall any of our future products if concerns about their safety or efficacy develop.

In their regulation of advertising and other promotion, the FDA and the U.S. Federal Trade Commission may issue correspondence alleging that some advertising or promotional practices are false, misleading or deceptive. The FDA and the U.S. Federal Trade Commission are authorized to impose a wide array of sanctions on companies for such advertising and promotion practices, which could result in any of the following:

- our incurrence of substantial expenses, including fines, penalties, legal fees and costs to comply with the FDA's requirements;
- our being required to change in the methods of marketing and selling products;
- our being required to take FDA mandated corrective action, which may include placing advertisements or sending letters to physicians rescinding previous advertisements or promotions; or
- a disruption in the distribution of products and loss of sales until compliance with the FDA's position is obtained.

Improper promotional activities may also lead to investigations by federal or state prosecutors, and result in criminal and civil penalties. If we become subject to any of the above requirements, it could be damaging to our reputation and restrict our ability to sell or market our future products, and our business condition could be adversely affected. We may also incur significant expenses in defending ourselves.

Physicians may prescribe pharmaceutical or biologic products for uses that are not described in a product's labeling or differ from those tested by us and approved by the FDA. While such "off-label" uses are common and the FDA does not regulate physicians' choice of treatments, the FDA does restrict a manufacturer's communications on the subject of off-label use. Companies cannot promote FDA-approved pharmaceutical or biologic products for off-label uses, but under certain limited circumstances they may disseminate to practitioners' articles published in peer-reviewed journals. To the extent allowed by the FDA, we intend to disseminate peer-reviewed articles on our future products to practitioners. If, however, our activities fail to comply with the FDA's regulations or guidelines, we may be subject to warnings from, or enforcement action by, the FDA or other regulatory or law enforcement authorities.

Depending on the circumstances, failure to meet post-approval requirements can result in criminal prosecution, fines or other penalties, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre-marketing product approvals, or refusal to allow us to enter into supply contracts, including government contracts. Any government investigation of alleged violations of law could require us to expend significant time and resources in response, and could generate negative publicity.

Even if we obtain regulatory approval for a product candidate, our products will remain subject to regulatory scrutiny.

Any product candidate for which we obtain marketing approval, along with the manufacturing processes, qualification testing, post-approval clinical data, labeling and promotional activities for such product, will be subject to continuing and additional requirements of the FDA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information, reports, registration and listing requirements, cGMP requirements relating to quality control, quality assurance and corresponding maintenance

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of records and documents, and recordkeeping. Even if marketing approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to conditions of approval, or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. The FDA closely regulates the post-approval marketing and promotion of pharmaceutical and biological products to ensure such products are marketed only for the approved indications and in accordance with the provisions of the approved labeling.

In addition, later discovery of previously unknown problems with our products, manufacturing processes, or failure to comply with regulatory requirements, may lead to various adverse results, including:

- restrictions on such products, manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing clinical trials;
- requirements to institute a risk evaluation and mitigation strategy to monitor safety of the product post-approval;
- warning letters issued by the FDA or other regulatory authorities;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recalls of products, fines, restitution or disgorgement of profits or revenue;
- suspension, revocation or withdrawal of marketing approvals;
- refusal to permit the import or export of our products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA's policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained, which would adversely affect our business, prospects and ability to achieve or sustain profitability.

Risks Related to Our Intellectual Property

Our success depends on our ability to protect our intellectual property and our proprietary technologies.

Our commercial success depends in part on our ability to obtain and maintain patent protection and trade secret protection for our product candidates, proprietary technologies and their uses as well as our ability to operate without infringing upon the proprietary rights of others. There can be no assurance that our patent applications or those of our licensors will result in additional patents being issued or that issued patents will afford sufficient protection against competitors with similar technology, nor can there be any assurance that the patents issued will not be infringed, designed around, or invalidated by third parties. Even issued patents may later be found unenforceable or may be modified or revoked in proceedings instituted by third parties before various patent offices or in courts. The degree of future protection for our proprietary rights is uncertain. Only limited protection may be available and may not adequately protect our rights or permit us to gain or keep any competitive advantage. This failure to properly protect the intellectual property rights relating to these product candidates could have a material adverse effect on our financial condition and results of operations.

Composition-of-matter patents are generally considered to be the strongest form of intellectual property protection as such patents provide protection without regard to any method of use. We cannot be certain that the claims in our patent applications covering composition-of-matter of our product candidates will be considered

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patentable by the U.S. Patent and Trademark Office and courts in the United States or by the patent offices and courts in foreign countries, nor can we be certain that the claims in our issued composition-of-matter patents will not be found invalid or unenforceable if challenged. Method-of-use patents protect the use of a product for the specified method. This type of patent does not prevent a competitor from making and marketing a product that is identical to our product for a use that is outside the scope of the patented method. Moreover, even if competitors do not actively promote their product for our targeted indications, physicians may prescribe these products “off-label.” Although off-label prescriptions may infringe or contribute to the infringement of method-of-use patents, the practice is common and such infringement is difficult to prevent or prosecute.

The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or any of our future development partners will be successful in protecting our product candidates by obtaining and defending patents. These risks and uncertainties include the following:

- The U.S. Patent and Trademark Office and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.
- Patent applications may not result in any patents being issued.
- Patents that may be issued or in-licensed may be challenged, invalidated, modified, revoked, circumvented, found to be unenforceable, or otherwise may not provide any competitive advantage.
- Our competitors, many of whom have substantially greater resources than we do and many of whom have made significant investments in competing technologies, may seek or may have already obtained patents that will limit, interfere with, or eliminate our ability to make, use and sell our potential product candidates.
- There may be significant pressure on the U.S. government and international governmental bodies to limit the scope of patent protection both inside and outside the United States for treatments that prove successful, as a matter of public policy regarding worldwide health concerns.
- Countries other than the United States may have patent laws less favorable to patentees than those upheld by U.S. courts, allowing foreign competitors a better opportunity to create, develop, and market competing product candidates.

In addition, we rely on the protection of our trade secrets and proprietary know-how. Although we have taken steps to protect our trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants and advisors, third parties may still obtain this information or may come upon this or similar information independently. If any of these events occurs or if we otherwise lose protection for our trade secrets or proprietary know-how, the value of this information may be greatly reduced.

If we or any of our future development partners are sued for infringing intellectual property rights of third parties, it will be costly and time consuming, and an unfavorable outcome in that litigation could have a material adverse effect on our business.

Our success also depends on our ability and the ability of our future development partners to develop, manufacture, market and sell our product candidates without infringing upon the proprietary rights of third parties. Numerous U.S.- and foreign-issued patents and pending patent applications owned by third parties exist in the fields in which we are developing product candidates, some of which may contain claims that overlap with the subject matter of our intellectual property or are directed at our product candidates. When we become aware of patents held by third parties that may implicate the manufacture, development or commercialization of our

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product candidates, we evaluate our need to license rights to such patents. If we need to license rights from third parties to manufacture, develop or commercialize our product candidates, there can be no assurance that we will be able to obtain a license on commercially reasonable terms or at all.

Because patent applications can take many years to issue there may be currently pending applications, unknown to us, that may later result in issued patents upon which our product candidates or proprietary technologies may infringe. Similarly, there may be issued patents relevant to our product candidates of which we are not aware.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biologics industry generally. If a third party claims that we or any of our licensors, suppliers or development partners infringe upon a third-party's intellectual property rights, we may have to:

- seek to obtain licenses that may not be available on commercially reasonable terms, if at all;
- abandon an infringing product candidate or redesign our products or processes to avoid infringement;
- pay substantial damages including, in an exceptional case, treble damages and attorneys' fees, which we may have to pay if a court decides that the product candidate or proprietary technology at issue infringes upon or violates the third-party's rights;
- pay substantial royalties or fees or grant cross-licenses to our technology; or
- defend litigation or administrative proceedings that may be costly whether we win or lose, and which could result in a substantial diversion of our financial and management resources.

We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time consuming and unsuccessful.

Competitors may infringe upon our patents or the patents of our licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated, found to be unenforceable or interpreted narrowly and could put our patent applications at risk of not issuing. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Most of our competitors are larger than we are and have substantially greater resources. They are, therefore, likely to be able to sustain the costs of complex patent litigation longer than we could. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to continue our clinical trials, continue our internal research programs, in-license needed technology, or enter into development partnerships that would help us bring our product candidates to market.

In addition, any future patent litigation, interference or other administrative proceedings will result in additional expense and distraction of our personnel. An adverse outcome in such litigation or proceedings may expose us, or any of our future development partners to loss of our proprietary position, expose us to significant liabilities or require us to seek licenses that may not be available on commercially acceptable terms, if at all.

Our issued patents could be found invalid or unenforceable if challenged in court which could have a material adverse effect on our business.

If we or any of our future development partners were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates or one of our future product candidates, the defendant could counterclaim that our patent is invalid or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with

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prosecution of the patent withheld relevant information from the U.S. Patent and Trademark Office, or made a misleading statement, during prosecution. Third parties may also raise similar claims before the U.S. Patent and Trademark Office even outside the context of litigation. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on such product candidate. Such a loss of patent protection would have a material adverse impact on our business.

We may be subject to claims that our consultants or independent contractors have wrongfully used or disclosed alleged trade secrets of their other clients or former employers to us, which could subject us to costly litigation.

As is common in the biotechnology industry, we engage the services of consultants to assist us in the development of our product candidates. Many of these consultants were previously employed at, or may have previously or may be currently providing consulting services to, other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may become subject to claims that our company or a consultant inadvertently or otherwise used or disclosed trade secrets or other information proprietary to their former employers or their former or current clients. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to our management team.

Changes in U.S. patent law could diminish the value of patents in general, which could materially impair our ability to protect our product candidates.

As is the case with other biotechnology companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biotechnology industry involve technological and legal complexity. Therefore, obtaining and enforcing biotechnology patents is costly, time consuming and inherently uncertain. In addition, Congress recently passed patent reform legislation. The Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts and the U.S. Patent and Trademark Office, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents we might obtain in the future.

We may not be able to protect our intellectual property rights throughout the world which could materially, negatively affect our business.

Filing, prosecuting and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our product candidates and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology,

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which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license and may adversely affect our business.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers in our markets of interest. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected.

Risks Related to Our Common Stock and this Offering

The trading price of our common stock is likely to be volatile, and you might not be able to sell your shares at or above the initial public offering price.

There has been no public market for our common stock prior to this offering, and the initial public offering price of our common stock was determined by negotiations between us and the underwriters and may not be indicative of the future prices of our common stock. The market price of our common stock could be subject to wide fluctuations in response to various factors, many of which are beyond our control. These factors include those discussed elsewhere in this “Risk Factors” section and others such as:

- the delay or failure in initiating or completing preclinical studies or clinical trials, or unsatisfactory results of these trials;
- announcements about us or about our competitors including clinical trial results, regulatory approvals, or new product candidate introductions;
- developments concerning our current or future development partner, licensors or product candidate manufacturers;
- litigation and other developments relating to our patents or other proprietary rights or those of our competitors;
- conditions in the pharmaceutical or biotechnology industries and the economy as a whole;
- governmental regulation and legislation;
- the recruitment or departure of members of our board of directors, management team or other key personnel, including recruitment of a new chief executive officer;
- changes in our operating results;
- any changes in the financial projections we may provide to the public, our failure to meet these projections, or changes in recommendations by any securities analysts that elect to follow our common stock;
- any change in securities analysts’ estimates of our performance, or our failure to meet analysts’ expectations;
- the expiration of market standoff or contractual lock-up agreements;
- sales or potential sales of substantial amounts of our common stock; and
- price and volume fluctuations in the overall stock market or resulting from inconsistent trading volume levels of our shares.

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In recent years, the stock market in general, and the market for pharmaceutical and biotechnological companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to changes in the operating performance of the companies whose stock is experiencing those price and volume fluctuations. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering.

As a newly public company, our stock price may be volatile, and securities class action litigation has often been instituted against companies following periods of volatility of their stock price. Any such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

In the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

No public market for our common stock currently exists, and an active trading market may not develop or be sustained following this offering.

Prior to this offering, there has been no public market for our common stock. An active trading market may not develop following the closing of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

If securities analysts do not publish research or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities and industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities analysts. If no or few securities or industry analysts commence coverage of our company, the trading price for our stock could suffer. In the event we obtain securities or industry analyst coverage, if one or more of the analysts who covers us downgrades our stock or publishes unfavorable research about our business, or if our clinical trials or operating results fail to meet the analysts' expectations, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

As an investor participating in this offering, you will experience substantial dilution as a result of this offering and future equity issuances.

The initial public offering price per share is substantially higher than the pro forma net tangible book value per share of our common stock outstanding prior to this offering. As a result, investors purchasing common stock in this offering will experience immediate substantial dilution of \$ per share, based on the initial public offering price of \$ per share the midpoint of the initial public offering price range reflected on the cover page of this prospectus. In addition, to the extent currently outstanding options or warrants are exercised, there will be further dilution to investors in this offering. In addition, we may raise additional capital through public or private equity or debt offerings, subject to market conditions. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance could result in further dilution to our stockholders.

Raising additional funds by issuing securities or through licensing or lending arrangements may cause dilution to our existing stockholders, restrict our operations or require us to relinquish proprietary rights.

We will need to raise additional funding in order to complete the clinical development of, create additional manufacturing capacity and to commercialize NeoCart and to conduct the research and development and clinical

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and regulatory activities necessary to bring other product candidates to market. To the extent that we raise additional capital by issuing equity securities, the share ownership of existing stockholders will be diluted. Any future debt financing may involve covenants that restrict our operations, including limitations on our ability to incur liens or additional debt, pay dividends, redeem our stock, make certain investments, and engage in certain merger, consolidation, or asset sale transactions. In addition, if we seek funds through arrangements with collaborative partners, these arrangements may require us to relinquish rights to some of our technologies or product candidates or otherwise agree to terms unfavorable to us.

Our management will have broad discretion over the actual amounts and timing of the expenditures of the proceeds we receive in this offering and might not apply the proceeds in ways that enhance our operating results or increase the value of your investment.

We expect to use the net proceeds from this offering primarily to develop and advance NeoCart through clinical trials, as well as for working capital and general corporate purposes. Our management will have broad discretion as to the actual amounts and timing of the expenditures of the net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management might not apply the net proceeds of this offering in ways that enhance our operating results or increase the value of your investment. Additionally, until the net proceeds we receive are used, they may be placed in investments that do not produce income or that lose value.

We have never paid and do not intend to pay cash dividends and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never paid cash dividends on any of our capital stock, and we currently intend to retain future earnings, if any, to fund the development and growth of our business. Therefore, you are not likely to receive any dividends on our common stock for the foreseeable future or at all. Since we do not intend to pay dividends, your ability to receive a return on your investment will depend on any future appreciation in the market value of our common stock. There is no guarantee that our common stock will appreciate or even maintain the price at which you have purchased it.

Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

As of May 1, 2014, our executive officers, directors, holders of more than 5% of our capital stock and their respective affiliates beneficially owned 84.7% of our outstanding capital stock and, upon the closing of this offering, that same group will beneficially own % of our outstanding capital stock (assuming no exercise of the underwriters' over-allotment option). Therefore, these stockholders will have the ability to influence us through their ownership position after this offering. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders.

Substantial future sales of shares by existing stockholders, or the perception that such sales may occur, could cause our stock price to decline.

If our existing stockholders, particularly our directors and executive officers and the venture capital funds affiliated with our current and former directors, sell substantial amounts of our common stock in the public market, or are perceived by the public market as intending to sell substantial amounts of our common stock, the trading price of our common stock could decline below the initial public offering price. Based on shares outstanding as of May 1, 2014, upon completion of this offering, we will have outstanding shares of common stock. Of these shares, only the shares of common stock sold in this offering and registered shares issued pursuant to our equity plans will be freely tradable in the public market, subject to any applicable lock-up agreements or Rule 144 transfer restrictions applicable to affiliates. Our officers, directors and holders of substantially all of our equity securities have entered into contractual lock-up agreements with the underwriters

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pursuant to which they have agreed, subject to certain exceptions, not to sell or otherwise transfer any of their common stock or securities convertible into or exchangeable for shares of common stock for a period of 180 days after the date of the final prospectus for this offering. However, we and the lead underwriter in this offering may permit these holders to sell shares prior to the expiration of the lock-up agreements with the underwriters.

Based on shares outstanding as of May 1, 2014, after the contractual lock-up agreements pertaining to this offering expire 180 days from the date of this prospectus, up to an additional 45,344,052 shares will be eligible for sale in the public market, 38,402,816 of which are held by directors, executive officers and other affiliates and will be subject to volume and other limitations under Rule 144 under the Securities Act.

The 5,292,650 shares that were subject to outstanding options as of May 1, 2014 will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the contractual lock-up agreements, and Rules 144 and 701 under the Securities Act.

Some of our existing security holders have demand and piggyback rights to require us to register with the SEC up to 38,926,019 shares of our common stock, subject to expiration of the contractual lock-up agreements. If we register these shares of common stock, the stockholders would be able to sell those shares freely in the public market, subject to Rule 144 transfer restrictions applicable to affiliates.

We plan to register an additional _____ shares of our common stock that we may issue under our equity plans. Once we issue these shares, they can be freely sold in the public market upon issuance, subject to any vesting restriction, contractual lock-up agreements, or Rule 144 transfer restrictions applicable to affiliates.

If any of these additional shares described are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline. For additional information, see “Shares Eligible for Future Sale.”

Provisions in our certificate of incorporation and bylaws and Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the market price of our common stock.

Our certificate of incorporation and bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions among other things:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit the board of directors to establish the number of directors;
- provide that directors may only be removed “for cause”;
- require super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

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In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company. Section 203 imposes certain restrictions on merger, business combinations and other transactions between us and holders of 15% or more of our common stock.

For information regarding these and other provisions, see “Description of Capital Stock.”

We are an emerging growth company and the extended transition period for complying with new or revised financial accounting standards and reduced disclosure and governance requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company. Under the Jumpstart Our Business Startups Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We plan to avail ourselves of this exemption from new or revised accounting standards and, therefore, we may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

For as long as we continue to be an emerging growth company, we also intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a nonbinding advisory stockholder vote on executive compensation and any golden parachute payments not previously approved, exemption from the requirement of auditor attestation on our internal control over financial reporting and exemption from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis). If we do, the information that we provide stockholders may be different than what is available with respect to other public companies.

Investors could find our common stock less attractive because we will rely on these exemptions, which may make it more difficult for investors to compare our business with other companies in our industry. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. In addition, it may be difficult for us to raise additional capital as and when we need it. If we are unable to do so, our financial condition and results of operations could be materially and adversely affected.

We will remain an emerging growth company until the earliest of (1) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the end of the second fiscal quarter, (2) the end of the fiscal year in which we have total annual gross revenue of \$1 billion or more during such fiscal year, (3) the date on which we issue more than \$1 billion in non-convertible debt in a three-year period or (4) December 31, 2019, the end of the fiscal year following the fifth anniversary of the completion of this offering.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, included in this prospectus regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management are forward-looking statements. The forward-looking statements are contained principally in “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” In some cases, you can identify forward-looking statements by terms such as “may,” “might,” “will,” “objective,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “anticipate,” “project,” “target,” “design,” “estimate,” “predict,” “potential,” “plan” or the negative of these terms, and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements include statements about:

- the timing and success of preclinical studies and clinical trials conducted by us and our development partners;
- the ability to obtain and maintain regulatory approval of our product candidates and the labeling for any approved products;
- the scope, progress, expansion and costs of developing and commercializing our product candidates;
- our expectations regarding our expenses and revenue, the sufficiency of our cash resources, our future profitability and needs for additional financing;
- our technology transfer and manufacturing location transition;
- our ability to adequately manufacture our product candidates and the raw materials utilized therein;
- our ability to obtain and maintain intellectual property protection for our product candidates;
- our expectations regarding competition;
- the size and growth of the potential markets for our product candidates and the ability to serve those markets;
- the rate and degree of market acceptance of any of our product candidates;
- our anticipated growth strategies;
- the anticipated trends and challenges in our business and the market in which we operate;
- our ability to establish and maintain development partnerships;
- our ability to attract or retain key personnel, including a new chief executive officer;
- our expectations regarding federal, state and foreign regulatory requirements;
- regulatory developments in the United States and foreign countries; and
- our expectations regarding the use of proceeds from this offering.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Except as required by law, we assume no obligation to update these statements publicly, or to update the reasons actual results could differ materially from those anticipated in these statements, even if new information becomes available in the future.

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We discuss many of these risks in this prospectus in greater detail under “Risk Factors.” You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This prospectus also contains market data related to our business and industry. This market data includes projections that are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results may differ from the projections based on these assumptions. As a result, our markets may not grow at the rates projected by this data, or at all. The failure of these markets to grow at these projected rates may have a material adverse effect on our business, results of operations, financial condition and the market price of our common stock.

This prospectus includes statistical data, estimates and forecasts that we obtained from industry publications and reports generated by third-party market research firms, including MedMarket Diligence. While we are not aware of any misstatements regarding any third-party data presented in this prospectus, their estimates, in particular as they relate to projections, involve numerous assumptions and are subject to risks and uncertainties as well as change based on various factors, including those discussed under “Risk Factors.”

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of \$ million, assuming an initial public offering price of \$ per share, the midpoint of the initial public offering price range reflected on the cover page of this prospectus, and after deducting the estimated underwriting discount and offering expenses payable by us. If the underwriters' option to purchase additional shares in this offering is exercised in full, we estimate that our net proceeds will be \$ million.

We intend to use the net proceeds of this offering primarily to develop and advance NeoCart through our currently enrolling Phase 3 clinical trial and to build out our manufacturing facilities, as well as for working capital and general corporate purposes. We estimate that it will cost approximately \$ million to complete our Phase 3 clinical trial.

The expected use of net proceeds of this offering represents our current intentions based upon our present plans and business conditions. The amounts we actually expend in these areas may vary significantly from our current intentions and will depend upon a number of factors, including success of our product development and commercialization efforts, cash generated from future operations, if any, and actual expenses to operate our business. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to be received upon the closing of this offering. Accordingly, our management will have broad discretion in the application of the net proceeds, and investors will be relying on the judgment of our management regarding the application of the net proceeds.

Pending use of proceeds from this offering, we intend to invest the proceeds in short-term, investment-grade, interest-bearing instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government, or hold as cash.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

CAPITALIZATION

The table below sets forth our capitalization as of March 31, 2014 on:

- an actual basis;
- a pro forma basis to reflect the following, which will occur upon the completion of this offering: (1) the automatic conversion of all outstanding shares of our convertible preferred stock into common stock; (2) the net exercise of warrants to acquire shares of common stock; (3) the exercise of warrants to acquire a total of shares of common stock for an aggregate exercise price of \$; (4) the issuance of an estimated shares of common stock in payment of accrued dividends on outstanding shares of convertible preferred stock; and (5) the amendment and restatement of our certificate of incorporation; and
- a pro forma as adjusted basis to further adjust the pro forma amounts to reflect the sale of shares of common stock in this offering at an assumed initial public offering price of \$ per share, the midpoint of the initial public offering price range reflected on the cover page of this prospectus, after deducting the estimated underwriting discounts and offering expenses payable by us.

You should read the information in this table together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of March 31, 2014		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share and per share amounts)		
Long-term liabilities, including current portion	\$ 26,806		
Series A convertible redeemable preferred stock, \$0.001 par value: 28,602,031 shares authorized; 28,602,031 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	42,617	—	—
Series A-1 convertible redeemable preferred stock, \$0.001 par value: 20,647,969 shares authorized; 10,323,988 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	14,454	—	—
Stockholders’ equity (deficit):			
Preferred stock, \$0.001 par value per share: no shares authorized, issued or outstanding, actual; shares authorized, no shares issued or outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock, \$0.001 par value: 70,000,000 shares authorized; 6,418,033 shares issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding pro forma as adjusted	6		
Additional paid-in capital	35,264		
Deficit accumulated during the development stage	(114,185)		
Total stockholders’ (deficit) equity	(78,915)		
Total capitalization	<u>\$ 4,962</u>	<u>\$</u>	<u>\$</u>

The table above excludes each of the following as of March 31, 2014:

- 2,981,190 shares issuable upon the exercise of options outstanding under our 2012 Equity Incentive Plan as of March 31, 2014, at a weighted average exercise price of \$0.30 per share;

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- shares reserved for future issuance under our 2013 Equity Incentive Plan, which became effective in November 2013 but with respect to which no awards will be granted prior to the effective date of the registration statement of which this prospectus is a part, subject to automatic annual adjustment in accordance with the terms of the plan; and
- shares reserved for future issuance under our 2013 Employee Stock Purchase Plan, which became effective in November 2013 but with respect to which no awards will be granted prior to the effective date of the registration statement of which this prospectus is a part, subject to automatic annual adjustment in accordance with the terms of the plan.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted immediately to the extent of the difference between the initial public offering price per share you will pay in this offering and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. As of March 31, 2014, the historical net tangible book deficit of our common stock was \$(15.8) million, or \$(2.47) per share. Our historical net tangible book deficit represents total tangible assets less total liabilities and convertible preferred stock, all divided by the number of shares of common stock outstanding on March 31, 2014.

As of March 31, 2014, the pro forma net tangible book value of our common stock would have been \$ million, or \$ per share, after giving effect to the following, which will occur upon the completion of this offering: (1) the automatic conversion of all outstanding shares of our convertible preferred stock into common stock; (2) the net exercise of warrants to acquire shares of common stock; (3) the exercise of warrants to acquire a total of shares of common stock for an aggregate exercise price of \$; and (4) the issuance of an estimated shares of common stock in payment of accrued dividends on outstanding shares of convertible preferred stock.

After giving effect to the sale of shares of common stock in this offering at an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discount and offering expenses payable by us, the pro forma as adjusted net tangible book value of our common stock as of March 31, 2014 would have been \$ million, or \$ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of \$ per share to our existing stockholders and an immediate dilution of \$ per share to purchasers of common stock in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share	\$
Historical net tangible book value (deficit) per share as of March 31, 2014	\$(2.47)
Increase in net tangible book value (deficit) per share attributable to pro forma transactions described above	<u> </u>
Pro forma net tangible book value per share before this offering	\$
Increase in pro forma net tangible book value per share attributable to this offering	<u> </u>
Pro forma as adjusted net tangible book value per share after this offering	<u> </u>
Dilution per share to purchasers of common stock in this offering	<u> </u>

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma net tangible book value by \$ per share and the dilution per share to purchasers of common stock in this offering by \$ per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discount and offering expenses payable by us. We may also increase (decrease) the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares offered by us would increase (decrease) the pro forma net tangible book value by \$ per share and the dilution per share to purchasers of common stock in this offering by \$ per share, assuming that the assumed initial public offering price remains the same and after deducting estimated underwriting discount and offering expenses payable by us. The pro forma information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering determined at pricing.

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If the underwriters exercise their over-allotment option in full, the pro forma as adjusted net tangible book value per share after this offering would be \$ per share, the increase in pro forma net tangible book value per share to existing stockholders would be \$ per share and the dilution to purchasers of common stock in this offering would be \$ per share.

The following table summarizes, on a pro forma as adjusted basis as of March 31, 2014, the differences between existing stockholders and purchasers of common stock in this offering with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid. The calculation below is based on the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, before deducting the estimated underwriting discount and offering expenses payable by us.

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Average Price</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Per Share</u>
Existing stockholders		%		%	\$
Purchasers of common stock in this offering					
Totals		<u>100.0%</u>		<u>100.0%</u>	

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' over-allotment option. If the underwriters exercise their over-allotment option in full, our existing stockholders would own % and purchasers of common stock in this offering would own % of the total number of shares of our common stock outstanding upon completion of this offering. The total consideration paid by existing stockholders would be approximately \$ million, or %, and the total consideration paid by purchasers of common stock in this offering would be \$ million, or %.

The foregoing tables and calculations exclude:

- 2,981,190 shares issuable upon the exercise of options outstanding under our 2012 Equity Incentive Plan as of March 31, 2014, at a weighted average exercise price of \$0.30 per share;
- shares reserved for future issuance under our 2013 Equity Incentive Plan, which became effective in November 2013 but with respect to which no awards will be granted prior to the effective date of the registration statement of which this prospectus is a part, subject to automatic annual adjustment in accordance with the terms of the plan; and
- shares reserved for future issuance under our 2013 Employee Stock Purchase Plan, which became effective in November 2013 but with respect to which no awards will be granted prior to the effective date of the registration statement of which this prospectus is a part, subject to automatic annual adjustment in accordance with the terms of the plan.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth selected consolidated financial information. We derived the consolidated statement of operations data for the years ended December 31, 2012 and 2013 and the consolidated balance sheet data as of December 31, 2012 and 2013 from the audited consolidated financial statements included elsewhere in this prospectus. We derived the consolidated statement of operations data for the three months ended March 31, 2013 and 2014 and the consolidated balance sheet data as of March 31, 2014 from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of the financial position and the results of operations for those periods. Our historical results are not necessarily indicative of the results to be expected for any future period, and the results in any interim period are not necessarily indicative of results to be expected for the full year or any other period. The following should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
(in thousands, except share and per share amounts)				
Consolidated Statement of Operations Data:				
Revenue	\$ 26	\$ 8	\$ 5	\$ —
Operating expenses:				
Research and development	11,941	11,946	1,908	3,347
Selling, general and administrative	3,053	4,847	905	1,826
Impairment of goodwill and intangible assets	—	60	—	—
Total operating expense	14,994	16,853	2,813	5,173
Loss from operations	(14,968)	(16,845)	(2,808)	(5,173)
Interest expense, net	(798)	—	—	—
Other expense, net	(13)	(52)	(15)	(2)
Gain on extinguishment of debt	687	—	—	—
Change in fair value of note payable to stockholder	(17)	—	—	—
Change in fair value of warrant liability and other liability	(1,826)	(8,815)	107	1,738
Net loss	\$ (16,935)	\$ (25,712)	\$ (2,716)	\$ (3,437)
Earnings (loss) per common share ⁽¹⁾				
Basic	\$ 1.00	\$ (8.94)	\$ (0.53)	\$ (0.55)
Diluted	\$ 0.26	\$ (8.94)	\$ (0.53)	\$ (0.55)
Weighted-average shares used to compute earnings (loss) per common share ⁽¹⁾				
Basic	2,818,293	6,264,690	6,250,001	6,290,589
Diluted	12,898,629	6,264,690	6,250,001	6,290,589
Pro forma earnings (loss) per common share ⁽¹⁾ :				
Basic	—	—	—	—
Diluted	—	—	—	—
Pro forma weighted-average common shares outstanding ⁽¹⁾ :				
Basic	—	—	—	—
Diluted	—	—	—	—

⁽¹⁾ Please see Note 2 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate earnings (loss) per common share, including the method used to calculate the number of shares used in the computation of the per share amount.

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In the preceding table, cost of net revenue and operating expenses include stock-based compensation as follows:

	Year Ended		Three Months Ended	
	December 31,	2013	2013	March 31,
	2012			2014
	(in thousands)			
Stock-based Compensation Expense:				
Selling, general and administrative	\$ 14	\$ 158	\$ 10	\$ 76
	As of December 31,		As of March 31,	
	2012	2013		2014
	(in thousands)			
Consolidated Balance Sheet Data:				
Cash and cash equivalents	\$ 14,716	\$ 8,734	\$	3,360
Working capital (deficit)	10,675	5,259		36
Total assets	21,044	14,796		9,981
Total liabilities	11,136	33,279		31,825
Convertible preferred stock	29,619	57,071		57,071
Stockholders' deficit	(19,711)	(75,554)		(78,915)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the "Selected Consolidated Financial Information" and our consolidated financial statements and related notes appearing elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results could differ materially from those anticipated by these forward-looking statements as a result of many factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this prospectus, including those set forth under "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

We are a regenerative medicine company focused on developing and commercializing products in the musculoskeletal segment of the marketplace. Our first product candidate, NeoCart, is being investigated in a Phase 3 clinical trial. NeoCart utilizes various aspects of our regenerative medicine platform to develop an innovative tissue implant intended to treat tissue injury in the field of orthopedics, specifically cartilage damage in the knee. NeoCart is an investigational product and has not been approved for sale in any jurisdiction, including the United States. We have no other products that are approved for sale in the United States and currently we are not selling any products that may be approved for sale in other jurisdictions. Our regenerative medicine platform provides the tools to develop NeoCart.

Our regenerative medicine platform combines expertise in the following areas:

- Cell processing: the handling of a tissue biopsy, extraction of cells, and expansion of the cells;
- Scaffold: three-dimensional structures that enable the proper distribution of cells and organize cells in their natural environment to support tissue formation;
- Tissue engineering: the use of a combination of cells, engineering and materials to improve or replace biological functions;
- Bioadhesives: natural, biocompatible materials that act as adhesives for biological tissue; and
- Growth factors: naturally occurring substances capable of stimulating cellular growth, proliferation and differentiation.

NeoCart is a cartilage-like implant created using patient's own cartilage cells through a series of tissue engineering processes.

Since our inception on June 28, 2000, we have devoted substantially all of our resources to the development of our regenerative medicine platform, the preclinical and clinical advancement of our product candidates, the creation and protection of related intellectual property and the provision of selling, general and administrative support for these operations. We have generated revenue from product sales, collaboration activities and grants. We have funded our operations primarily through the private placement of preferred stock and convertible promissory notes and through commercial bank debt. We continue to be classified as a development stage company for financial reporting purposes.

We have never been profitable and have incurred net losses in each year since inception. Our net loss was \$114.2 million for the period from inception to March 31, 2014. Substantially all of our net losses resulted from costs incurred in connection with our research and development programs and from selling, general and administrative costs associated with our operations. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. Our net losses may fluctuate significantly from quarter to quarter and year to year. We expect our expenses will increase substantially in connection with our ongoing activities as we:

- conduct clinical trials of our product candidates;
- continue scale up and improvement of our manufacturing processes;

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- transition our technology transfer and manufacturing location;
- continue our research and development efforts;
- manufacture preclinical study and clinical trial materials;
- maintain, expand and protect our intellectual property portfolio;
- seek regulatory approvals for our product candidates that successfully complete clinical trials;
- hire additional clinical, quality control and technical personnel to conduct our clinical trials;
- hire additional scientific personnel to support our product development efforts;
- implement operational, financial and management systems; and
- hire additional selling, general and administrative personnel to operate as a public company.

We do not expect to generate any future revenue from therapeutic product sales until we successfully complete development and obtain regulatory approval for one or more of our product candidates, which we expect will take a number of years. If we obtain regulatory approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, we will seek to fund our operations through public or private equity or debt financings or other sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements when needed would have a negative impact on our financial condition and ability to develop our product candidates.

Financial Operations Overview

We conduct operations in two geographic regions: Histogenics Corporation (Histogenics), a Delaware corporation, at our facility in Waltham, Massachusetts, and ProChon Biotech Ltd. (ProChon) in Tel Aviv, Israel. We own 100% of the voting shares of ProChon. As the nature of the products, customers and methods to distribute products are the same and the nature of the regulatory environment, the production processes and historical and estimated future margins are similar, the two operating segments have been aggregated into one reporting segment.

On May 13, 2011, we acquired ProChon, a privately held biotechnology company focused on modulating the fibroblast growth factor system to enable it to create more effective solutions for tissue regeneration. Prior to the acquisition, ProChon was conducting a Phase 2 clinical trial in the United States and commercializing its lead product candidate, the BioCart cartilage regeneration system, in Israel. ProChon's products combined cell regeneration technologies with proprietary growth factors and biocompatible scaffolds to restore injured or chronically damaged tissues to normal. The acquisition of ProChon provided us with access to a portfolio of intellectual property, including proprietary cell growth factors, in addition to furthering opportunities for the use of biomaterials to create more effective solutions for regenerating human tissue.

The ProChon acquisition was accounted for as a business combination. The results of operations of ProChon have been included in our consolidated statements of operations since May 13, 2011, the date we obtained control of ProChon. Following the completion of the acquisition, ProChon became our wholly owned subsidiary and was integrated into our operations.

Unless otherwise indicated, the following information is presented on a consolidated basis to include our accounts and those of ProChon subsequent to the May 2011 acquisition. All intercompany transactions and balances are eliminated in consolidation.

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Revenue

From inception to March 31, 2014, we generated product revenue of \$53,000 in Israel through commercial sales of BioCart. In 2011, we made a strategic decision to no longer provide BioCart commercially in Israel. Since December 31, 2011, we have not generated any revenue from therapeutic product sales.

We generated collaboration revenue exclusively from a license agreement with AT Grade S.R.L. (AT Grade) for distribution of BioCart in Italy. The agreement included a combination of diligence milestone payments, minimum royalty payments and royalties for commercial activity in Italy. In 2011, we determined with AT Grade that the licensing agreement was no longer part of our strategic programs. From inception through December 31, 2011, we recorded \$70,000 of collaboration revenue from this license agreement. The license agreement was formally terminated in March 2012. We continued to generate collaboration revenue from this license agreement through the date of termination. We recorded \$26,000, \$8,000 and \$0 of collaboration revenue for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2014, respectively.

From inception to March 31, 2014, we recorded grant revenue of \$244,000 related to a cash grant received during the year ended December 31, 2010 from the U.S. Internal Revenue Service as a qualifying therapeutic discovery project tax credit program established pursuant to the Patient Protection and Affordable Care Act. Under this program, the tax credits and grants are made available to companies with no more than 250 employees that have a project which, among other requirements, can demonstrate new or cost saving therapies, support high quality jobs and increase U.S. competitiveness in the fields of life, biological and medical sciences.

Research and Development Expenses

Research and development expenses consist of development costs associated with our regenerative medicine platform and development programs. These costs are expensed as incurred and include:

- compensation and employee-related costs;
- costs associated with conducting our preclinical, clinical and regulatory activities, including fees paid to third-party professional consultants and service providers;
- costs incurred under clinical trial agreements with investigative sites;
- costs for laboratory supplies and laboratory equipment;
- costs to acquire, develop and manufacture preclinical study and clinical trial materials;
- charges associated with the achievement of certain preclinical and financial milestones pursuant to our licenses for our bioadhesive, and our tissue engineering processor; and
- facilities, depreciation and other expenses including allocated expenses for rent and maintenance of facilities.

From inception through March 31, 2014, we incurred \$60.0 million in research and development expenses. We plan to increase our current level of research and development expenses for the foreseeable future as we continue the development of our regenerative medicine platform and our initial therapeutic product candidates. Our current planned research and development activities include the following:

- advancing NeoCart in a Phase 3 clinical superiority trial to microfracture;
- leveraging our regenerative medicine platform to expand into additional therapeutic applications; and
- expanding and protecting our intellectual property platform.

We cannot determine with certainty the timing of initiation, the duration and the completion costs of current or future preclinical studies and clinical trials of our product candidates. At this time, due to the inherently unpredictable nature of preclinical and clinical development and given the early stage of our product candidates, we are unable to estimate with any certainty the costs we will incur and the timelines we will require in the continued

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development of our product candidates, including NeoCart. Clinical and preclinical development timelines, the probability of success and development costs can differ materially from expectations. In addition, we cannot forecast which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

We do not track research and development expenses by product. We do not allocate general equipment and supply costs, facilities, depreciation and other miscellaneous expenses to specific products as these expenses are deployed across all of our products.

Selling, General and Administrative Expenses

From inception through March 31, 2014, we incurred \$39.2 million in selling, general and administrative expenses. Selling, general and administrative expenses consist primarily of salaries and employee-related costs, including stock-based compensation and travel expenses for our employees in executive, finance and human resource functions. Other selling, general and administrative expenses include facility-related costs and professional fees for directors, accounting and legal services, and expenses associated with obtaining and maintaining patents.

We anticipate that our selling, general and administrative expenses will increase in the future as we increase our headcount to support our continued research and development and potential commercialization of our product development programs. We also anticipate increased expenses related to audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs associated with being a public company.

Total Other Income (Expense), Net

Total other income (expense), net consists primarily of interest income earned on cash and cash equivalents; interest expense on convertible promissory notes and on prior commercial bank debt; and changes in fair value of the warrant liability relating to our outstanding common stock warrants.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our consolidated financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in our consolidated financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and stock-based compensation. We base our estimates on historical experience, known trends and events, and various other factors 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. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in the notes to our consolidated financial statements appearing elsewhere in this prospectus, we believe the following accounting policies to be most critical to the significant judgments and estimates used in the preparation of our consolidated financial statements.

Income Taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect for years in which temporary differences are expected to reverse. We provide a valuation allowance when it is more likely than not that deferred tax assets will not be realized. We recognize the benefit of an uncertain tax position that has been taken or we expect to take on income tax returns if such tax position is more likely than not to be sustained.

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We follow the authoritative guidance regarding accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These unrecognized tax benefits relate primarily to issues related to the timing of certain income and deductions for federal income tax purposes. We apply a variety of methodologies in making these estimates which include advice and studies performed by independent subject matter experts, evaluation of public actions taken by the U.S. Internal Revenue Service and other taxing authorities, as well as our own industry experience. We provide estimates for unrecognized tax benefits which may be subject to material adjustments until matters are resolved with taxing authorities or statutes expire. If our estimates are not representative of actual outcomes, our results of operations could be materially impacted.

We continue to maintain a valuation allowance against our deferred tax assets due to our assessment that their realization is not certain. We periodically evaluate the likelihood of the realization of deferred tax assets and reduce the carrying amounts of these deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized. We consider many factors when assessing the likelihood of future realization of deferred tax assets, including our recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income, carryforward periods available to us for tax reporting purposes, various income tax strategies and other relevant factors. Significant judgment is required in making this assessment and, to the extent future expectations change, we would assess the recoverability of our deferred tax assets at that time. If we determine that the deferred tax assets become realizable in a future period, we would record material adjustments to income tax expense that period.

Accrued Expenses

As part of the process of preparing our consolidated financial statements, we are required to estimate our accrued expenses. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date in our consolidated financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. Examples of estimated accrued research and development expenses include fees payable to:

- clinical research organizations and investigative sites in connection with clinical trials;
- vendors in connection with preclinical development activities;
- vendors related to product manufacturing, development, and distribution of clinical materials; and
- professional service fees for consulting and related services.

We base our expense accruals related to clinical trials on our estimates of the services received and efforts expended pursuant to our contract arrangements. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows and expense recognition. There may be instances in which payments made to our service providers will exceed the level of services provided and result in a prepayment of the clinical expense. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid accordingly. Our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in our reporting changes in estimates in any particular period.

Although we do not expect our estimates to be materially different from amounts actually incurred, if our estimates of the status and timing of services performed differs from the actual status and timing of services performed, we may report amounts that are too high or too low in any particular period. To date, there have been no material differences from our estimates to the amount actually incurred.

Impairment of Long-Lived Assets

Long-lived assets consist primarily of property and equipment. We test long-lived assets for impairment at year end or whenever events or circumstances present an indication of impairment. If the sum of expected future cash flows (undiscounted and without interest charges) of the long-lived assets is less than the carrying amount of such assets, an impairment loss would be recognized in earnings. The long-lived asset would be written down to the estimated fair value, calculated based on the present value of expected future cash flows. While our current and historical operating losses and negative cash flows are indicators of impairment, we believe that future cash flows to be received support the carrying value of our long-lived assets and, accordingly, have not recognized any impairment losses on long-lived assets from inception to March 31, 2014.

Impairment of Intangible Assets

We test intangible assets for impairment at year end or whenever events or circumstances present an indication of impairment. If the sum of expected future cash flows (undiscounted and without interest charges) of the intangible assets is less than the carrying amount of such assets, an impairment loss would be recognized in earnings. The intangible assets would be written down to the estimated fair value, calculated based on the present value of expected future cash flows. Our intangible assets consist of in-process research and development (IPR&D) obtained through the acquisition of ProChon and the AT Grade license. Our current and historical operating losses and negative cash flows are indicators of impairment and we have recognized an impairment charge of \$330,000 during the year ended December 31, 2011, and an impairment charge of \$60,000 during the year ended December 31, 2013. The impairment charge of \$330,000 during the year ended December 31, 2011 resulted from our determination that the licensing agreement to distribute BioCart in Italy was no longer part of our strategic programs due to our suspension of production and commercialization of BioCart in 2011. We agreed with AT Grade to formally terminate the license agreement in March 2012. The results of our 2013 year end impairment testing indicated a decline in the fair market value of the IPR&D, resulting in an impairment charge of \$60,000. We also note that as our core focus has been on and will continue to be on the development of NeoCart, there is a risk of further impairment in the near future.

Impairment of Goodwill

Goodwill represents the difference between the purchase price and the fair value of the net assets acquired under the acquisition method of accounting for business combinations. Goodwill is not amortized but is evaluated for impairment within each reporting unit on an annual basis at year end each year for impairment, or if indicators are present or changes in circumstances suggest that impairment may exist.

Our impairment testing for goodwill of \$1.8 million from the 2011 acquisition of ProChon involved assessment at the reporting unit level using an income approach to determine whether it is more likely than not that the fair value of a reporting unit or the fair value of goodwill is less than its carrying amount. This assessment requires judgment on the potential impact of each qualitative factor.

We recorded an impairment charge of \$1.8 million to goodwill in 2011 resulting from the suspension of production and commercialization of BioCart.

Stock-Based Compensation

We account for grants of stock options and restricted stock based on their grant date fair value and recognize compensation expense over the vesting periods. We estimate the fair value of stock options as of the date of grant using the Black-Scholes option pricing model, and we estimate the fair value of restricted stock based on the fair value of the underlying common stock as determined by our board of directors or the value of the services provided, whichever is more readily determinable. We account for stock options and restricted stock awards to non-employees using the fair value approach. Stock options and restricted stock awards to non-employees are subject to periodic revaluation over their vesting terms.

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Stock-based compensation expense represents the cost of the grant date fair value of employee stock option grants recognized over the requisite service period of the awards (usually the vesting period) on a straight-line basis, net of estimated forfeitures. We estimate the fair value of stock option grants using the Black-Scholes option pricing model, which requires the input of highly subjective assumptions, including (a) the risk-free interest rate, (b) the expected volatility of our stock, (c) the expected term of the award and (d) the expected dividend yield. The risk-free interest rates for periods within the expected life of the option are based on the yields of zero-coupon U.S. Treasury securities. Due to the lack of a public market for the trading of our common stock and a lack of company specific historical and implied volatility data, we have based our estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. For these analyses, we have selected companies with comparable characteristics to ours including enterprise value, risk profiles, position within the industry, and with historical share price information sufficient to meet the expected life of the stock-based awards. We compute the historical volatility data using the daily closing prices for the selected companies' shares during the equivalent period of the calculated expected term of our stock-based awards. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own stock price becomes available. The expected term represents the period of time that options are expected to be outstanding. Because there was not enough historical exercise behavior through March 31, 2014, for 2012 stock option grants, we determined the expected life assumption using the simplified method, which is an average of the contractual term of the option and the vesting period. In 2013, the stock option grants through August 1, 2013 were in-the-money, based on the retrospective fair value determinations, so we determined the expected life assumption for these stock options using a risk-adjusted method, which adjusts the average of the contractual term of the option and its vesting period for risk, reducing the expected life. For stock option grants in December 2013, which were granted at-the-money, we determined the expected life assumption using the simplified method. The expected dividend yield assumption is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends.

For employee stock option grants made during the years ended December 31, 2012 and 2013 and the three months ended March 31, 2013 and 2014, the weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of those grants were as follows:

	Years ended December 31,		Three months ended March 31,	
	2012	2013	2013 (unaudited)	2014 (unaudited)
Risk-free interest rate	0.93%	1.01%	0.89%	1.01%
Expected volatility	89.0%	87.9%	88.3%	87.9%
Expected term (in years)	6.08	5.36	5.92	5.36
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

We had no non-employee stock options grants for the year ended December 31, 2012. For non-employee stock option grants made for the year ended December 31, 2013 and the three months ended March 31, 2013 and 2014, the weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of those grants were as follows:

	Years ended December 31,		Three months ended March 31,	
	2012	2013	2013 (unaudited)	2014 (unaudited)
Risk-free interest rate	—	0.23%	0.28%	0.57%
Expected volatility	—	145.2%	82.0%	109.9%
Expected term (in years)	—	0.98	1.73	2.13
Expected dividend yield	—	0.0%	0.0%	0.0%

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The following table summarizes by grant date the number of shares of common stock underlying stock options granted from January 1, 2012 through March 31, 2014, as well as the associated per share exercise price and the estimated fair value per share of our common stock on the grant date:

<u>Grant Dates</u>	<u>Number of Common Shares Underlying Options Granted</u>	<u>Exercise Price per Common Share</u>	<u>Estimated Fair Value per Common Share</u>
August 15, 2012	2,797,253	\$ 0.07	\$ 0.07
October 31, 2012 (restricted stock)	61,095	0.07	0.07
March 5, 2013	288,206	0.07	0.13
March 5, 2013 (non-employee)	354,395	0.07	0.13
March 21, 2013 (non-employee)	101,825	0.07	0.13
April 23, 2013	48,603	0.07	0.11
April 23, 2013 (restricted stock)	81,623	0.07	0.11
May 17, 2013	459,877	0.07	0.11
July 16, 2013	2,236,042	0.07	0.15
August 1, 2013 (non-employee)	40,516	0.07	0.15
December 11, 2013	1,353,211	0.66	0.66

As of December 31, 2012, December 31, 2013 and March 31, 2014, the unrecognized compensation cost related to outstanding options was \$130,000, \$1.0 million and \$939,000, respectively, and is expected to be recognized as expense over 3.28 years, 3.21 years and 2.77 years, respectively.

As of December 31, 2012, December 31, 2013 and March 31, 2014, the unrecognized compensation cost related to restricted stock awards was \$4,000, \$14,000 and \$10,000, respectively, and is expected to be recognized as expense over 3.84 years, 3.14 years and 2.94 years, respectively.

Based on the assumed initial public offering (IPO) price of \$ per share (the midpoint of the price range set forth on the cover page of this prospectus), the intrinsic value of stock options outstanding as of December 31, 2013 would be \$, of which \$ and \$ would have been related to stock options that were vested and unvested, respectively, at that date.

Determination of the Fair Value of Common Stock

We are required to estimate the fair value of the common stock underlying our stock-based awards when performing fair value calculations. All options to purchase shares of our common stock are intended to be granted with an exercise price per share no less than the fair value per share of our common stock underlying those options on the date of grant, based on the information known to us on the date of grant. In the absence of a public trading market for our common stock, on each grant date we develop an estimate of the fair value of our common stock with the assistance of a third party valuation specialist to determine an exercise price for the option grants.

In November 2013, our board of directors reviewed and reconsidered the fair value of our common stock with the assistance of a third party valuation specialist for the preceding periods of that year. In reconsidering the fair value of our common stock, the board of directors took into account the methodologies, approaches and assumptions provided by American Institute of Certified Public Accountants Audit and Accounting Practice Aid Series: Valuation of Privately Held Company Equity Securities Issued as Compensation (Practice Aid). This reconsideration resulted in the board of directors' determination that the fair value of the common stock was greater than the exercise price for certain options granted in 2013.

There are significant judgments and estimates inherent in the determination of the fair value of our common stock. These judgments and estimates include assumptions regarding our future operating performance, the time

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to completing an IPO or other liquidity event and the determination of the appropriate valuation methods. If we had made different assumptions, our stock-based compensation expense, net loss and net loss per common share could have been significantly different.

In accordance with the Practice Aid, we considered the various methods for allocating the enterprise value across our classes and series of capital stock to determine the fair value of our common stock at each valuation date. The methods we considered consisted of the following:

- **Current Value Method.** Under the current value method, once the fair value of the enterprise is established, the value is allocated to the various series of preferred and common stock based on their respective seniority, liquidation preferences or conversion values, whichever is greatest. This method was considered but not utilized in any of the valuations discussed below.
- **Option Pricing Method (OM).** Under the OM, shares are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class. The values of the preferred stock and common stock are inferred by analyzing these options.
- **Probability-Weighted Expected Return Method (PWERM).** The PWERM is a scenario-based analysis that estimates the value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each share class.

Management determined the fair value of common stock for financial reporting purposes as of each valuation date as follows:

<u>Valuation Date</u>	<u>Common Stock Fair Value</u>
July 20, 2012	\$ 0.07
December 31, 2012	0.13
March 31, 2013	0.11
June 30, 2013	0.15
September 30, 2013	0.23
December 6, 2013	0.66
December 31, 2013	0.82
March 31, 2014	0.74

July 20, 2012 Valuation and August 2012 and October 2012 Grants

For the contemporaneous valuation at July 20, 2012, we utilized the OM to determine the value of our common stock, relying on the Series A Preferred Stock financing that closed in July 2012 at \$1.00 per share price for the Series A Preferred Stock and applying a discount for lack of marketability to the unadjusted common stock value to determine the fair market value of the common stock as of the valuation date of July 20, 2012.

As stated above, the OM treats common stock and preferred stock as call options on the total equity value of a company, with exercise prices based on the value thresholds at which the allocation among the various holders of a company's securities changes. Under this method, the common stock has value only if the funds available for distribution to stockholders exceed the value of the liquidation preference at the time of a liquidity event, such as a strategic sale, merger or IPO, assuming the enterprise has funds available to make a liquidation preference meaningful and collectible by the holders of preferred stock. The common stock is modeled as a call option on the underlying equity value at a predetermined exercise price. In the model, the exercise price is based on a comparison with the total equity value rather than, as in the case of a regular call option, a comparison with a per share stock price. Thus, common stock is considered to be a call option with a claim on the enterprise at an exercise price equal to the remaining value immediately after the preferred stock is liquidated. The OM uses the Black-Scholes option pricing model to price the call options. This model defines the securities' fair values as functions of the current fair value of a company and uses assumptions such as the anticipated timing of a potential liquidity event and the estimated volatility of the equity securities.

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The following table summarizes the significant assumptions used to determine the fair value of our common stock of \$0.07 as of July 20, 2012:

<u>July 20, 2012 valuation</u>	
Key assumptions:	
Estimated time to liquidity	1.7 years
Annual volatility	99%
Risk-free interest rate	0.22%
Discount for lack of marketability	25%

December 2012 and 2013—Valuations and Grants

For the retrospective valuations at December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, as well as the contemporaneous valuations at December 6, 2013 and December 31, 2013, we used the PWERM. The change in valuation methodologies was made from the OM at July 20, 2012 to the PWERM at December 31, 2012 and beyond because we believed that the likely liquidity scenarios were more focused from our increased interaction with our new investor base and board of directors, and we began entertaining the concept of an IPO creating a higher probability of a liquidity event in next 15 to 24 months. Also, the PWERM is able to capture the changes in timing, probability, and values of the liquidity based upon developments in our company and the markets which will better meet our needs to obtain quarterly updates in valuation. We had gained visibility into restarting clinical trials as of December 2012 with an expectation of restarting in March 2013. The heightened visibility allowed us to gain comfort in estimating the timing, probability, and values of liquidity events required for the PWERM as progress in the clinical trials was the main driver of an IPO or acquisition. As stated above, under the PWERM, share value is derived from the probability-weighted present value of expected future investment returns, considering possible outcomes available to us, as well as the economic and control rights of each share class. Our December 31, 2012 and subsequent valuations consider several possible liquidity scenarios that include an acquisition, an IPO and dissolution. Prior to December 2012, we were in a transition phase in which a major recapitalization was completed. We did not have a long term business plan that contemplated future exit scenarios prior to the July 2012 financing, and therefore did not have visibility into the timing, probability, and value of liquidity events to use the PWERM as a reliable indicator of value.

The determination of the enterprise value of our company for each scenario uses the market approach, specifically the transaction multiple method. This method rests on the assumption that the value of business ownership interests can be determined by analysis of how much is paid to acquire similar ownership interests in similar businesses. This method derives indications of value based on the prices at which entire companies or operating units of companies have been sold, or the prices at which significant interests in companies changed hands. Multiples are developed based on: (a) the actual price paid for a company that has been acquired and (b) operating performance and financial condition indicators such as earnings (at various levels) or revenue. We identified relevant transactions for target companies operating in the biotechnology or orthopedic device industry in the determination of the enterprise value of our company and identified relevant IPOs in the biotechnology, specialized pharmaceutical and orthopedic device industries. The equity values for each scenario were then allocated to the various classes of stock based upon the claims of each class of stock.

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The following table summarizes the significant assumptions used to determine the fair value of our common stock of \$0.13, \$0.11, \$0.15, \$0.23, \$0.66, \$0.82 and \$0.74 as of December 31, 2012, March 31, 2013, June 30, 2013, September 30, 2013, December 6, 2013, December 31, 2013 and March 31, 2014, respectively. The discussion following the table describes the changes in valuation for each period.

	Common Stock Valuation Assumptions as of						
	December 31, 2012	March 31, 2013 (unaudited)	June 30, 2013 (unaudited)	September 30, 2013 (unaudited)	December 6, 2013 (unaudited)	December 31, 2013	March 31, 2014 (unaudited)
Acquisition scenarios							
Liquidity value			\$50 to \$250 million				
Probability of occurrence	10.00% to 50.00%	10.00% to 50.00%	10.00% to 40.00%	5.33% to 26.67%	5.00% to 10.00%	5.00% to 10.00%	5.00% to 10.00%
Time to event	2.25 years	2.75 years	2.84 years	2.58 years	2.40 years	3.5 years	3.2 years
IPO scenarios							
Pre-money valuation	\$ 75 to \$150 million	\$ 75 to \$150 million	\$75 to \$150 million	\$ 75 to \$150 million	\$75 to \$150 million	\$81 to \$150 million	\$81 to \$150 million
Probability of occurrence	0.67% to 3.33%	0.67% to 3.33%	2.00% to 10.00%	5.33% to 26.67%	5.00% to 35.00%	5.00% to 38.00%	5.00% to 38.00%
Time to event	1.25 to 2.25 years	1.00 to 2.75 years	0.75 to 2.84 years	0.5 to 2.58 years	0.32 to 2.4 years	0.5 to 3.5 years	0.5 to 3.2 years
Probability of liquidation scenario	20%	20%	20%	20%	10%	5%	5%
Discount for lack of marketability	28%	31%	32%	31%	15%	15%	5% to 20%

July 20, 2012 to December 31, 2012

The estimated per share fair value of our common stock calculated in our valuation as of December 31, 2012 of \$0.13 per share increased from the July 20, 2012 valuation of \$0.07 per share. This is primarily due to the following factors:

- We closed the first tranche of the Series A Preferred Stock financing and eliminated uncertainty within our operations. Further, the new long-term capital structure was put in place, which helped stabilize the standing of common stockholders after the July 2012 recapitalization of our equity.
- Our fundraising, which included a second tranche of the Series A Preferred stock financing, was expected to be issued in the first quarter of 2014, which would be used to continue funding our operations and development milestones to ensure an return on investment.
- We switched to the PWERM for our common stock valuation as opposed to the OM to better reflect the multiple scenarios available to us, including scenarios contemplating an IPO.

December 31, 2012 to March 31, 2013

The estimated per share fair value of our common stock calculated in our valuation as of March 31, 2013 of \$0.11 per share decreased from the December 31, 2012 valuation of \$0.13 per share. This is primarily due to the following factors:

- We voluntarily paused our Phase 3 clinical trial to address issues in our supply chain discussed elsewhere in this prospectus, and to perform validation testing on our methods and equipment as a way to eliminate regulatory risk.
- We had turnover at the chief executive officer position.

March 31, 2013 to June 30, 2013

The estimated per share fair value of our common stock calculated in our valuation as of June 30, 2013 of \$0.15 per share increased from the March 31, 2013 valuation of \$0.11 per share. This is primarily due to the following factors:

- We began developing new supply chain capabilities, both externally and internally, including the exploration of a new production facility in Massachusetts to manufacture component parts used in the production of NeoCart for the Phase 3 clinical trial and beyond.
- The likelihood of an IPO increased due to improving market conditions for clinical stage life sciences companies and improved optimism internally for achievement of milestones.

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June 30, 2013 to September 30, 2013

The estimated per share fair value of our common stock calculated in our valuation as of September 30, 2013 of \$0.23 per share increased from the June 30, 2013 valuation of \$0.15 per share. This is primarily due to the following factors:

- We hired a seasoned chief executive officer.
- Several new members of our management team were added to improve quality capabilities, bolster supply chain capabilities and provide clinical leadership.
- We anticipated the clinical trial would end its pause in November 2013, and during the pause our efforts to enroll additional sites would likely result in more sites treating patients than when the pause began.
- The likelihood of an IPO increased as market conditions continued to demonstrate strong momentum for life science companies, and we had even higher internal optimism about our ability to execute on milestones, particularly with our new management team.

September 30, 2013 to December 6, 2013

The estimated per share fair value of our common stock calculated in our valuation as of December 6, 2013 of \$0.66 per share increased from the September 30, 2013 valuation of \$0.23 per share. This is primarily due to the following factors:

- We selected investment bankers to act as underwriters for a planned IPO in the first half of 2014.
- We began our efforts on the preparation of our initial registration statement.
- We added an independent director to our board of directors.
- We finalized the aseptic validation of our clean room to comply with good manufacturing standards.
- We began enrolling patients to restart our Phase 3 clinical trial of NeoCart.

December 6, 2013 to December 31, 2013

The estimated per share fair value of our common stock calculated in our valuation as of December 31, 2013 of \$0.82 per share increased from the December 6, 2013 valuation of \$0.66 per share. This is primarily due to the following factors:

- We closed the Series A-1 Preferred stock financing on December 18, 2013.
- We continued to make progress on drafting our initial registration statement with the intent of submitting a draft registration statement with 2011 and 2012 financial statements in January 2014 and an amended draft registration statement with 2012 and 2013 financial statements by March 2014.
- We restarted our Phase 3 clinical trial of NeoCart and were nearing the release of five year data on our Phase 2 clinical trial and two year data on our Phase 3 clinical trial.
- The likelihood of an IPO increased as market conditions continued to demonstrate strong momentum for life science companies, and we had even higher internal optimism about our ability to execute on milestones, particularly with the progress made in drafting the initial registration statement.

December 31, 2013 to March 31, 2014

The estimated fair value of our common stock as of March 31, 2014 was \$0.74 per share. This represents a decrease of \$0.08 per share since the December 31, 2013 valuation. The decrease is primarily due to the following factors:

- IPO scenarios were delayed due to senior management turnover in February 2014.

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- The delay of the IPO scenario resulted in our decision to call an available \$10.3 million of the Series A-1 Preferred stock financing to sustain operations, which the December 31, 2013 valuation reflected as being invested in the IPO.
- The continued enrollment of patients in our Phase 3 clinical trial resulted in exit scenarios and the expected data window remaining the same.

Partially offsetting the factors causing a decrease in the valuation include our submission of a draft registration statement on February 14, 2014 and receiving initial comments from the SEC on March 13, 2014. Also, market conditions continued to demonstrate strong momentum for life science companies.

Warrants, Other Liability and Net Sales Distribution Payment Liability

In connection with the issuance of Series A Preferred Stock on July 20, 2012, we issued common stock warrants (Common Stock Warrants) to each participating investor. The Common Stock Warrants are convertible into 516,841 shares of our common stock upon a defined liquidity event of either an acquisition or an IPO. The number of shares of common stock may be decreased in the event that the percentage of the total equity required to be paid as part of the contingent payment payable to Purpose, Co. (Other Liability) is decreased. The Common Stock Warrants are exercisable at \$0.07 per share and are only exercisable in the event that the contingent payment is required to be settled for the Other Liability. The fair value of the Common Stock Warrants is classified as a long-term liability in our consolidated balance sheets.

The warrant liability was initially recorded on July 20, 2012 at fair value using the OM. We determined the fair value of the liability from the calculated equity value. At each reporting date, the fair value of the warrant liability is adjusted using the PWERM. The PWERM considers the changes in timing, probability, and values of preferred stock and common stock and other equity-linked securities based upon developments in our company and the market utilizing management's assumptions and various future outcomes.

The change in valuation methodologies was made from the OM at July 20, 2012 to the PWERM at December 31, 2012 and beyond because we believed that there was a higher probability of a liquidity event in the following 15 months. As stated above, the PWERM is able to capture the changes in timing, probability and values of the liquidity based upon developments in our company and the markets which will better address our need to obtain quarterly updates in valuation.

The Other Liability was initially recorded based on a combination of the PWERM and OM, utilizing management's assumptions. The fair value of the Other Liability is adjusted using PWERM at each reporting date. Changes in the fair value of the warrant liability and the Other Liability have been recorded as "change in fair value of warrant liability and other liability" in our consolidated statements of operations.

The OM that was used to estimate the fair value of the warrant liability used our valuation of our common stock as of the issuance date, July 20, 2012, to establish a basis of our equity value. A series of breakpoints was then determined based upon the contractual rights of our outstanding instruments with an equity claim that can be settled upon a liquidity event. The Black-Scholes option pricing model was then used to determine the fair value of each equity value breakpoint. The model utilized the following inputs: (a) risk-free interest rate of 0.22%; (b) implied volatility of our common stock of 99%; and (c) the expected term to a liquidity event of 1.7 years.

As part of the sale of our Series A-1 Preferred Stock, purchasers of Series A Preferred Stock forfeited their right to receive a 2% net sales distribution payment. The 2% net sales distribution payment was replaced with a new royalty agreement under which the purchasers of Series A-1 Preferred Stock (Royalty Recipients) are entitled to receive a net sales distribution payment equal to 3% of net sales during the calendar year (Net Sales Distribution Payment). At the election of the Royalty Recipients, we are required to redeem all or a portion of the net sales payments. The Royalty Recipients can elect to have each net sales percentage point redeemed for \$10.0 million payable in cash or shares of our common stock. As this represents a fixed monetary amount known upon issuance, the fair value of the

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net sales distribution payment is classified as a long-term liability in our consolidated balance sheet as the “Net Sales Distribution Payment Liability” in the amount of \$13.1 million and \$13.8 million as of December 31, 2013 and March 31, 2014, respectively. For a further discussion of this obligation, see “Certain Relationships and Related Party Transactions—Series A and Series A-1 Financings.”

The following table provides quantitative information about the fair value measurement, including the range of assumptions for the significant unobservable inputs used in the PWERM valuations of the warrant liability, Other Liability and Net Sales Distribution Payment Liability:

	Valuation Assumptions as of		
	December 31, 2012	December 31, 2013	March 31, 2014 (unaudited)
Acquisition scenarios			
Liquidity value	\$50 to \$250 million	\$50 to \$250 million	\$50 to \$250 million
Probability of occurrence	10.00% to 50.00%	5.00% to 10.00%	5.00% to 10.00%
Time to event	2.25 years	3.5 years	3.2 years
IPO scenarios			
Pre-money valuation	\$75 to \$150 million	\$81 to \$150 million	\$81 to \$150 million
Probability of occurrence	0.67% to 3.33%	5.00% to 38.00%	5.00% to 38.00%
Time to event	1.25 to 2.25 years	0.5 to 3.5 years	0.5 to 3.2 years
Probability of liquidation scenarios	20%	5%	5%
Discount for lack of market ability	28%	15%	5% to 20%

The above assumptions remained relatively consistent for the periods presented as a result of only minor changes in the remaining contractual term of the Common Stock Warrants due to the passage of time, with the largest change being the probability of occurrence as the IPO became a more realistic scenario. The increase in the time to event for the acquisition scenarios is due to the change in the timing of expected patient enrollment in the clinical trial from December 2014 to April 2015 as a result of the pause in the clinical trial, which pause ended in December 2013. The decrease in the probability of liquidation scenarios is due to the re-start of the clinical trial in December 2013 as well as the increased probability of an IPO. The fair values per share of our underlying preferred stock were estimated using the same methodologies described above for the valuation of our common stock except the exceptions noted in the description above specific to each Common Stock Warrant, Other Liability and Net Sales Distribution Payment Liability.

The completion of this offering will result in the automatic conversion of our convertible preferred stock into common stock and the warrants will become exercisable. Upon such conversion, the Common Stock Warrants will be classified as a component of stockholders’ equity (deficit) and will no longer be subject to remeasurement. Based on the assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover page of this prospectus), and assuming all other inputs into our valuation model remain unchanged from those as of March 31, 2014, we would expect to record a charge of approximately \$ million to adjust the warrant and other liability to its then-current fair value upon the closing of the IPO.

Other Company Information

Net Operating Loss Carryforwards

Utilization of the net operating loss (NOL) and research and development credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred or that could occur in the future, as required by Section 382 and 383 of the Internal Revenue Code (Code), as well as similar state and foreign provisions. These ownership changes may limit the amount of NOL and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an “ownership change” as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding

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stock of a company by certain stockholders. We have completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since our formation. The results of this study indicated we experienced ownership changes, as defined by Section 382 of the Code, in each of 2006, 2011, 2012 and 2013. We have not recorded NOLs that as a result of these restrictions will expire unused. Accordingly, we have recorded NOL carryforwards net of these limitations, which are \$3.9 million, \$30.5 million, \$36.7 million and \$49.7 million, in 2010, 2011, 2012 and 2013, respectively.

At December 31, 2013, we had U.S. federal and Israeli NOL carryforwards of \$17.1 million and \$26.6 million, respectively, which may be available to offset future taxable income. The U.S. federal NOL carryforwards begin to expire in 2032 and the Israeli NOL carryforward does not expire.

As of December 31, 2013, we have provided a full valuation allowance for deferred tax assets.

Income Taxes

We record uncertain tax positions on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the positions and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. We recognize interest and penalties related to unrecognized tax benefits within income tax expense. Any accrued interest and penalties are included within the related tax liability. A reconciliation of the total pre-tax beginning and ending amounts of uncertain tax positions is as follows:

	<u>Tax Positions</u> <u>(in thousands)</u>
Balance at January 1, 2013	\$ (13,280)
Reductions based on tax positions related to the period	11,051
Balance at December 31, 2013	<u>\$ (2,229)</u>

The uncertain tax positions giving rise to the unrecognized tax benefits of \$935,000 at December 31, 2013 relate to the timing of certain income and deductions for federal income tax purposes. The reversal of unrecognized tax benefits would not have any impact on the effective tax rate in future periods and are not expected to create cash tax liability upon settlement due to our ability to utilize both pre-change and post-change NOLs to offset their impact.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act (JOBS Act) was enacted. Section 107 of the JOBS Act permits an “emerging growth company” to delay the adoption of new or revised accounting standards until those standards would otherwise apply to private companies. We plan to avail ourselves of this exemption from new or revised accounting standards and, therefore, we may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

For so long as we are an “emerging growth company,” we intend to rely on exemptions relating to: (1) providing an auditor’s attestation report on our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (2) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earliest of (a) the last day of the fiscal year in which we have total annual gross revenue of \$1.0 billion or more, (b) December 31, 2019, the last day of our fiscal year following the fifth anniversary of the date of the completion of this offering, (c) the date on which we have issued more than \$1.0 billion in non-convertible debt during the previous three years and (d) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Recently Adopted Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board issued guidance that eliminates diversity in practice surrounding the presentation of unrecognized tax benefits when an NOL carryforward, a similar tax loss, or a tax credit carryforward exists. An entity is required to net an unrecognized tax benefit with a deferred tax asset for an NOL carryforward, a similar tax loss, or a tax credit carryforward if the carryforward would be used to settle additional tax due upon disallowance of a tax position. The adoption of this guidance on January 1, 2014 is not expected to have a material impact on our consolidated financial statements.

Results of Operations

Three Months Ended March 31, 2013 and 2014

The following table summarizes the results of our operations for the three months ended March 31, 2013 and 2014:

	Three Months Ended March 31,	
	2013	2014
	(in thousands)	
Collaboration revenue	\$ 5	\$ —
Research and development expenses	1,908	3,347
Selling, general and administrative expenses	905	1,826
Other income (expense), net	92	1,736

Revenue. Revenue was \$0 for the three months ended March 31, 2014, compared to \$5,000 for the three months ended March 31, 2013. The decrease of \$5,000 was due to the termination of a collaboration agreement with AT Grade. We agreed with AT Grade that the relationship was no longer part of our strategic programs. We do not expect any future revenue until we have successfully completed the commercialization of NeoCart or future product candidates.

Research and Development Expenses. Research and development expenses were \$3.3 million for the three months ended March 31, 2014 as compared to \$1.9 million for the three months ended March 31, 2013. The increase of \$1.4 million was due to the resumption of the NeoCart Phase 3 clinical trial in December 2013.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$1.8 million for the three months ended March 31, 2014, compared to \$905,000 for the three months ended March 31, 2013. The increase in spending of \$921,000 was the result in part of the preparation of the registration statement for our IPO, which drove the need for more marketing and executive involvement, as well as the need to engage an independent registered public accounting firm to perform an audit of the financial statements included in the registration statement. Costs included in the increased spending were an increase in employee compensation related expenses associated with severance and the expansion of our executive management and finance team, an increase of \$799,000 in professional service provider fees to support the audit of the inception to date consolidated financial statements and an increase in professional service provider fees to support awareness of the NeoCart Phase 3 clinical trial.

Other Income (Expense), Net. Other income (expense), net was \$1.7 million for the three months ended March 31, 2014, compared to \$92,000 for the three months ended March 31, 2013. The \$1.6 million increase in other income (expense), net was primarily the result of a \$1.6 million increase to the periodic fair value adjustment of warrant liability and other liability.

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Years Ended December 31, 2012 and 2013

The following table summarizes the results of our operations for the years ended December 31, 2012 and 2013:

	Years Ended December 31,	
	2012	2013
	(in thousands)	
Collaboration revenue	\$ 26	\$ 8
Research and development expenses	11,941	11,946
Selling, general and administrative expenses	3,053	4,847
Impairment of goodwill and intangible assets	—	60
Other income (expense), net	(1,967)	(8,867)

Revenue. Revenue was \$8,000 for the year ended December 31, 2013, compared to \$26,000 for the year ended December 31, 2012. The decrease of \$18,000 was due to the termination of a collaboration agreement with AT Grade. We agreed with AT Grade that the relationship was no longer part of our strategic programs. We do not expect any future revenue until we have successfully completed the commercialization of NeoCart or future product candidates.

Research and Development Expenses. Research and development expenses were \$11.9 million for each of the years ended December 31, 2013 and 2012. We currently expect research and development expenses to increase in 2014 due to the resumption of the NeoCart Phase 3 clinical trial in December 2013.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$4.8 million for the year ended December 31, 2013, compared to \$3.1 million for the year ended December 31, 2012. The increase in spending of \$1.7 million was the result in part of the preparation of the registration statement for our IPO which drove the need for more marketing and executive involvement, as well as the need to engage an independent registered public accounting firm to perform an audit of the financial statements included in the registration statement. Costs included a \$500,000 increase in employee compensation-related expenses associated with severance and the expansion of our executive management and finance team, an increase of \$1.1 million in professional service provider fees to support the audit of the inception to date consolidated financial statements and a \$137,000 increase in professional service provider fees to support awareness of the NeoCart Phase 3 clinical trial. We expect selling, general and administrative expenses to increase in 2014 as the NeoCart Phase 3 clinical trial continues and as we increase our administrative structure to support our IPO and obligations as a public company thereafter.

Impairment of Goodwill and Intangible Assets. Impairment of goodwill and intangible assets was \$60,000 for the year ended December 31, 2013, compared to \$0 for the year ended December 31, 2012. The increase was due to the impairment of IPR&D identified during our annual impairment testing for the year ended December 31, 2013.

Other Income (Expense), Net. Other income (expense), net was \$(8.9) million for the year ended December 31, 2013, compared to \$(2.0) million for the year ended December 31, 2012. Contributing to the \$6.9 million decrease in other income (expense), net was a \$7.0 million decrease to the periodic fair value adjustment of warrant liability and other liability. In addition a decrease of \$687,000 in gains created from the cancellation of debt recorded in 2012 was offset by a decrease in interest expense of \$798,000 from interest expense related to convertible debt instruments issued in 2011 and 2012 that were converted into equity as part of our Series A Preferred stock financing in July 2012.

Liquidity and Capital Resources

We have incurred losses and negative cash flows from operations since inception. From our inception through March 31, 2014, we had an accumulated deficit of \$114.2 million and anticipate that we will continue to incur net losses for the next several years.

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Since our inception, we have funded our consolidated operations primarily through the private placement of preferred stock and convertible notes, commercial bank debt and, to a limited extent, revenue from product sales, collaboration activities and grants. As of March 31, 2014, we had cash and cash equivalents of \$3.4 million.

We believe that the net proceeds from this offering and our existing cash and cash equivalents will be sufficient to fund our projected cash needs through at least the end of 2017. We will require additional capital for the further development of our existing product candidates and may also need to raise additional funds sooner to pursue other development activities related to additional product candidates. Our recurring losses from operations and negative cash flows raise substantial doubt about our ability to continue as a going concern. We may never become profitable, or if we do, we may not be able to sustain profitability on a recurring basis.

Beginning in January 2012, we issued \$6.0 million of convertible promissory notes with a maturity date of one year and accruing interest at eight percent per year. On July 20, 2012, we issued 28,602,031 shares of our Series A Preferred Stock for net proceeds of \$20.7 million in cash and the conversion of the \$6.0 million of outstanding convertible promissory notes. In December 2013, we issued 10,323,988 shares of our Series A-1 Preferred Stock for net proceeds of \$10.3 million in cash.

The following table sets forth a summary of the net cash flow activity for each of the periods indicated:

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
	(in thousands)			
Net cash used in operating activities	\$ (12,232)	\$ (15,282)	\$ (2,759)	\$ (5,019)
Net cash provided by (used in) investing activities	(79)	(554)	(1)	(120)
Net cash provided by (used in) financing activities	26,688	9,854	—	(235)
Net increase (decrease) in cash and cash equivalents	<u>\$ 14,377</u>	<u>\$ (5,982)</u>	<u>\$ (2,760)</u>	<u>\$ (5,734)</u>

Operating Activities

Cash used in operating activities increased \$2.2 million from \$2.8 million for the three months ended March 31, 2013 to \$5.0 million for the three months ended March 31, 2014. The primary driver of operating cash requirements was our research and development and selling, general and administrative activities in each period. During the three months ended March 31, 2013, we used cash from operating activities of \$2.8 million which consisted primarily of our net loss of \$2.7 million. During the three months ended March 31, 2014, we used cash from operating activities of \$5.0 million, which consisted primarily of our net loss of \$3.4 million and a change in the fair value of certain liabilities of \$1.7 million. The liabilities remeasured each period are the warrant liability, Other Liability and Net Sales Distribution Payment Liability. The \$2.2 million increase in cash used in operating activities as compared to the prior year period is due to an increased change in the fair value of these liabilities of \$1.6 million and the increase in net loss of \$721,000.

Cash used in operating activities increased \$3.1 million from \$12.2 million for the year ended December 31, 2012 to \$15.3 million for the year ended December 31, 2013. During the year ended December 31, 2012, we used cash from operating activities of \$12.2 million, which consisted primarily of our net loss of \$16.9 million partially offset by a \$3.1 million non-cash charge related to a technology license agreement and \$1.8 million related to the change in fair value of warrants. During the year ended December 31, 2013, we used cash from operating activities of \$15.3 million, which consisted primarily of our net loss of \$25.7 million offset by an increase of \$8.8 million related to the change in fair value of warrants, a \$617,000 increase in accrued expenses, a \$804,000 increase in accounts payable, a \$158,000 increase in stock-based compensation, and a \$60,000 increase in the impairment intangible assets. The \$3.1 million increase in cash used in operating activities as compared to the prior year is primarily due to a \$3.1 million non-cash charge related to a technology license agreement which had the effect of increasing cash flows during the prior year period but did not recur in the current year period, partially offset by a \$1.0 million increase in accounts payable that had the effect of decreasing cash flows during the prior year period but did not recur in the current year period.

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Investing Activities

Cash used in investing activities increased \$119,000 from \$1,000 for the three months ended March 31, 2013 to \$120,000 for the three months ended March 31, 2014. The difference was primarily related to increased purchases of property and equipment.

Cash used in investing activities increased \$475,000 from \$79,000 for the year ended December 31, 2012 to \$554,000 for the year ended December 31, 2013. The difference was primarily related to increased purchases of property and equipment.

Financing Activities

Cash used in financing activities increased from \$0 for the three months ended March 31, 2013 to \$235,000 for the three months ended March 31, 2014. During the three months ended March 31, 2014, we incurred costs related to the IPO that we did not incur during the three months ended March 31, 2013.

Cash provided by financing activities decreased \$16.8 million from \$26.7 million for the year ended December 31, 2012 to \$9.9 million for the year ended December 31, 2013. During the year ended December 31, 2012, we received \$6.0 million of proceeds from the issuance of convertible bridge loans that were subsequently converted into 5,950,000 shares of Series A Preferred Stock on July 20, 2012, and \$20.7 million in net proceeds from the sale of Series A Preferred Stock on July 20, 2012 to outside investors. In December 2013, we amended the terms of the Series A Preferred stock financing and sold 10,323,988 shares of our Series A-1 Preferred Stock for an aggregate purchase price of \$10.3 million to existing investors, which is partially offset by costs associated with the IPO of \$409,000.

Operating Capital Requirements

To date, we have generated product revenue from therapeutic product sales of BioCart in Israel. In 2011, we suspended sales of BioCart in the Israeli market for strategic reasons. We do not know when, or if, we will generate any future revenue from therapeutic product sales. We do not expect to generate significant revenue from therapeutic product sales unless and until we obtain regulatory approval of and commercialize NeoCart or our future product candidates. We anticipate that we will continue to incur losses for the next several years, and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, NeoCart and our future product candidates, and begin to commercialize any approved products. We are subject to all of the risks incident to the development of new therapeutic products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. Upon the completion of this offering, we will incur additional costs associated with operating as a public company. We anticipate that we will need substantial additional funding in connection with our continuing operations.

Until we can generate a sufficient amount of revenue from our regenerative medicine products, if ever, we expect to finance future cash needs through public or private equity or debt offerings. In any event, we do not expect to achieve significant revenue from regenerative medicine product sales prior to the use of the net proceeds from this offering. Additional capital may not be available on reasonable terms, if at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates. If we raise additional funds through the issuance of additional debt or equity securities, it could result in dilution to our existing stockholders, increased fixed payment obligations and the existence of securities with rights that may be senior to those of our common stock. If we incur indebtedness, we could become subject to covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Any of these events could significantly harm our business, financial condition and prospects.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a

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result of a number of factors. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. The amount and timing of future funding requirements, both near- and long-term, will depend on many factors, including:

- the design, initiation, progress, size, timing, costs and results of preclinical studies and clinical trials for our product candidates;
- the outcome, timing and cost of regulatory approvals by the U.S. Food and Drug Administration (FDA) and comparable foreign regulatory authorities, including the potential for the FDA or comparable foreign regulatory authorities to require that we perform more studies than, or evaluate clinical endpoints other than those that we currently expect;
- the timing and costs associated with our technology transfer and manufacturing location transition;
- the timing and costs associated with manufacturing NeoCart and our future product candidates for clinical trials, preclinical studies and, if approved, for commercial sale;
- the number and characteristics of product candidates that we pursue;
- the extent to which we are required to pay milestone or other payments under our in-license agreements and the timing of such payments;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- our need to expand our research and development activities, including our need and ability to hire additional employees;
- our need to implement additional infrastructure and internal systems and hire additional employees to operate as a public company;
- the effect of competing technological and market developments; and
- the cost of establishing sales, marketing and distribution capabilities for any products for which we may receive regulatory approval.

If we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, financial condition and results of operations could be materially adversely affected.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2013 that will affect our future liquidity:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years (in thousands)</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Operating lease obligations	\$4,101	\$ 1,135	\$ 1,998	\$ 968	\$ —
Research and development contract obligations	345	107	64	64	110
Severance contract obligations	59	59	—	—	—
Engineering obligations	417	417	—	—	—
Total	<u>\$4,922</u>	<u>\$ 1,718</u>	<u>\$ 2,062</u>	<u>\$ 1,032</u>	<u>\$ 110</u>

Operating lease obligations represent future minimum lease payments under non-cancelable operating leases in effect as of December 31, 2013, including remaining lease payments for our current facilities in Waltham, Massachusetts, Woburn, Massachusetts, and Tel Aviv, Israel.

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Research and development contract obligations represent minimum future payments to third parties under our license agreements that become due and payable on the achievement of certain development, regulatory and commercial milestones (such as the start of a clinical trial, filing for product approval with the FDA or other regulatory agencies, product approval by the FDA or other regulatory agencies, product launch or product sales) or on the sublicense of our rights to another party. To the extent the achievement and timing of these events is not fixed and determinable, we have not included such commitments on our consolidated balance sheet or in the table above. Certain milestones are in advance of receipt of revenue from the sale of products and, therefore, we may require additional debt or equity capital to make such payments. These commitments include:

- Under an exclusive license agreement with Angiotech Pharmaceuticals (US), Inc. pursuant to which we license certain patents for our CT3 bioadhesive, we are required to make annual maintenance payments and payments based upon development, regulatory and commercial milestones for any products covered by the in-licensed intellectual property. The maximum aggregate milestone payments we may be obligated to make per product are \$3.0 million. We will also be required to pay a royalty on net sales of products covered by the in-licensed intellectual property in the single digits.
- Under an exclusive sub-license agreement with Brigham and Women's Hospital, Inc. pursuant to which we license certain patents relating to our exogenous tissue processor, we are required to make annual maintenance payments and payments based upon development, regulatory and commercial milestones for any products covered by the in-licensed intellectual property. The maximum aggregate milestone payments we may be obligated to make are \$200,000. We will also be required to pay a royalty on net sales of products covered by the in-licensed intellectual property in the low single digits.
- Under an exclusive license agreement with Board of Trustees of The Leland Stanford Junior University pursuant to which we license certain patents relating to the use of exogenous tissue processor, we are required to make annual maintenance payments and payments based upon development, regulatory and commercial milestones for any products covered by the in-licensed intellectual property. The maximum aggregate milestone payments we may be obligated to make per product are \$300,000. We will also be required to pay a royalty on net sales of products covered by the in-licensed intellectual property in the low single digits.
- Under an exclusive license agreement with Yeda Research and Development Co. Ltd. pursuant to which we license certain rights relating to high level expression of heterologous proteins and plasmid p80 BS. We are required to make a yearly, non-refundable license fee payment of \$2,000. We will also be required to pay a royalty fee of a low single digit percentage rate of net sales of the licensed products, a low single digit percentage rate of net sales for combination products (meaning the combination of the licensed product with at least one other active ingredient, material or medical device that would have a clinical effect if administered independently) and a low double digit percentage rate of all of our sublicensing receipts.

We enter into contracts in the normal course of business with clinical sites for the conduct of clinical trials, contract research service providers for preclinical research studies, professional consultants for expert advice and other vendors for laboratory and research supplies and services. These contracts generally provide for termination on notice, and therefore are cancelable contracts and not included in the table of contractual obligations and commitments.

Obligations related to grants received represent consideration agreed to be paid in royalties of a low single digit percentage rate of sales of sponsored products developed using the grant money.

Severance contract obligations represent the remaining payments due to a former executive whose employment ended in February 2014.

Engineering contract obligations represent the future minimum payments due to ST3 Development Corporation for the in-process production of a multi-unit bioreactor system expected to be completed in June 2014. Upon completion of the delivery of the system the remaining payments will be made.

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Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Quantitative and Qualitative Disclosures about Market Risks

We are exposed to market risk related to changes in interest rates. As of March 31, 2014, we had cash and cash equivalents of \$3.4 million. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments are in short-term

securities backed by U.S. Treasuries. Our available for sale securities are subject to interest rate risk and will fall in value if market interest rates increase. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our portfolio.

BUSINESS

Overview

We are a regenerative medicine company focused on developing and commercializing products in the musculoskeletal segment of the marketplace. Our first product candidate, NeoCart, is being investigated in a Phase 3 clinical trial. NeoCart utilizes various aspects of our regenerative medicine platform to develop an innovative tissue implant intended to treat tissue injury in the field of orthopedics, specifically cartilage damage in the knee. NeoCart is an investigational product and has not been approved for sale in any jurisdiction, including the United States. We have no other products that are approved for sale in the United States and currently we are not selling any other products that may be approved for sale in other jurisdictions.

Our regenerative medicine platform provides the tools to develop NeoCart. Our regenerative medicine platform combines expertise in the following areas:

- Cell processing: the handling of a tissue biopsy, extraction of cells, and expansion of the cells;
- Scaffold: three-dimensional structures that enable the proper distribution of cells and organize cells in their natural environment to support tissue formation;
- Tissue engineering: the use of a combination of cells, engineering and materials to improve or replace biological functions;
- Bioadhesives: natural, biocompatible materials that act as adhesives for biological tissue; and
- Growth factors: naturally occurring substances capable of stimulating cellular growth, proliferation and differentiation.

NeoCart is a cartilage-like implant created using patient's own cartilage cells through a series of tissue engineering processes. First, the patient's cells are separated from a tissue biopsy specimen extracted from the patient by a surgeon and multiplied in our laboratory. The cells are then infused into our proprietary scaffold that provides structure for the developing implant. Before NeoCart is implanted in a patient, the cell- and scaffold construct undergoes a bioengineering process in our Tissue Engineering Processor (TEP). Our TEP is designed to mimic the conditions found in a joint so that the implant is prepared to begin functioning like normal healthy cartilage prior to implantation. When the NeoCart implant is implanted, a bioadhesive is used to anchor the NeoCart implant in the cartilage injury and seal the implant to the surrounding native cartilage interface. The use of the bioadhesive eliminates the need for complicated suturing. We believe that the Phase 1 and Phase 2 clinical trials provide preliminary evidence for the safety of the NeoCart implant and improvement in pain and function in patients treated with NeoCart.

We are currently enrolling a Phase 3 clinical trial for NeoCart in the United States to provide evidence of the safety and effectiveness of NeoCart, studying cartilage defects in the knees of 245 patients under a Special Protocol Assessment (SPA) with the U.S. Food and Drug Administration (FDA). Pursuant to the SPA, we formally and prospectively reached agreement with the FDA on key elements of the Phase 3 clinical trial protocol, including design, endpoints and statistical analyses of the resulting study data. The SPA is binding on the FDA review division with limited exceptions. If the clinical trial is successful, the data may be used to support efficacy claims for NeoCart approval and demonstrate clinical superiority over the current standard of care, microfracture. Microfracture consists of the creation of tiny holes or "fractures" in the bone underneath the injured cartilage leading to formation of a blood clot in the affected area. The blood and bone marrow that form the clot contain stem cells, which are thought to grow into cartilage-building cells. If we are successful in demonstrating superiority to microfracture in improvement in pain and function at 12 months postoperative in our Phase 3 clinical trial and NeoCart is approved for sale in the United States, we believe it would be the first product approved for the first-line treatment of severe cartilage damage to demonstrate clinical superiority over microfracture.

Musculoskeletal-related conditions, including cartilage damage, are one of the most prevalent health problems in the United States. Based on recent publications, we estimate that 1,000,000 knee arthroscopies are performed

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each year in the United States and we believe cartilage damage is likely to be identified in over 60% of those knee arthroscopies. Cartilage damage is a leading cause of osteoarthritis, a chronic condition in which cartilage breaks down, and the condition most responsible for the estimated 750,000 knee replacements performed in the United States annually. We believe the current alternatives available to treat cartilage damage in the knee, including microfracture, the most frequently used procedure for severe cartilage damage, inadequately address this condition. We believe NeoCart would represent a superior solution to treat cartilage damage in the knee because it has the potential to solve for the limitations of the current treatment alternatives and has the potential to provide improved efficacy, long-term patient benefits, accelerated patient recovery and predictable patient outcomes through a technically straightforward surgical procedure. To date, we have completed two FDA-regulated human clinical trials in the United States. Specifically, we conducted a Phase 1 safety study of eight patients and a Phase 2 randomized controlled exploratory study of 30 patients. The objective of the Phase 1 clinical trial was to demonstrate the safety of NeoCart for use when implanted into cartilage defects in the knee. The objective of the Phase 2 clinical trial was to continue the safety evaluation of NeoCart, gather additional efficacy data compared to microfracture, identify endpoints that are meaningful to patients and physicians, identify appropriate patient populations to receive NeoCart and obtain additional data to be used in design of future clinical studies. NeoCart demonstrated improvement in clinical efficacy based on pain and function measures as compared to microfracture in our Phase 2 clinical trial. We believe our Phase 3 study will confirm the positive Phase 1 and Phase 2 clinical data generated by NeoCart, which we believe are a direct result of our regenerative medicine platform and the elements comprising our platform.

The goal of our Phase 3 clinical trial, which we are currently enrolling, is to demonstrate advantages of NeoCart over microfracture with respect to efficacy, accelerated patient recovery, technically straightforward surgery, long-term patient benefits and positive safety profile. We believe the advantages will allow us to secure approval to sell NeoCart in the United States and will enable us to potentially become a market leader in cartilage repair. We expect to complete enrollment of our NeoCart Phase 3 clinical trial by the first half of 2016, but we may encounter difficulties enrolling patients in our clinical trials, which could delay or otherwise adversely affect our clinical development activities. We have 21 active sites enrolling patients and have randomized 35 patients into the Phase 3 clinical trial as of May 1, 2014. We are enrolling the Phase 3 clinical trial using surgeon-investigators who screen patients with knee pain against a pre-specified set of eligibility criteria after obtaining their consent to participate in the trial. Once randomized into the trial based on eligibility, the patients undergo their surgical treatment and return for evaluation and data collection by the investigators at regular intervals for three years as set forth in the study protocol. We are financing the Phase 3 clinical trial with funds raised from our private financing activities and intend to use the proceeds from this offering to finance the trial through the expected completion of enrollment in the first half of 2016.

In anticipation of potential approval of NeoCart, we have begun to scale our internal current Good Manufacturing Practices manufacturing capabilities and transition the manufacture of all our products in-house at our facilities located in the greater Boston area. The transition commenced in March 2014 with the intent of having the ability to manufacture NeoCart and the critical components of NeoCart with minimal reliance on third parties prior to the commercialization of NeoCart in the event NeoCart is approved. Following this transition, we will be required to obtain FDA approval of the comparability of the critical NeoCart raw materials moved in-house, and if we fail to obtain, or if we experience a delay in obtaining such approval, our business, operating results and prospects will be adversely affected.

We believe our regenerative medicine platform may provide us with the ability to develop a strong pipeline and that the positive clinical data we have seen in treating cartilage damage of the knee with NeoCart will be applicable to other joints such as the ankle, hip and shoulder. We also believe our regenerative medicine platform has the ability to translate the fundamental science to allow us to develop additional product candidates to treat other soft tissue damage throughout the body such as tendon, ligament and meniscus tears and complex joint degeneration. Although not utilized in connection with our current NeoCart development, our portfolio of proprietary fibroblast growth factors may be explored for their use in optimizing manufacturing yields and we believe they could also have various therapeutic applications including wound healing and fracture healing. We

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plan to continue investing in our intellectual property portfolio in order to expand and protect our regenerative medicine platform and future product candidates.

Regenerative Medicine

Regenerative medicine is a rapidly developing, interdisciplinary field that is transforming healthcare by translating fundamental science into a variety of products and solutions aimed at repairing, regenerating or replacing function loss caused by injury, disease or aging. Regenerative medicine technologies encompass a variety of therapeutic approaches, including tissue engineering, cell-based therapies, gene therapy, small molecules and biologics, stem cells and biobanking. Any combination of these technologies may be used to harness or stimulate the body's innate healing ability in order to treat a wide range of ailments, including musculoskeletal-related conditions, cardio- and peripheral vascular diseases, neurological disorders, stroke, non-healing wounds and ocular diseases.

Musculoskeletal conditions, comprised of injuries to or diseases of bones, cartilage, joints, ligaments, muscles, nerves, skin or tendons, are the most common health problem in the United States and are a leading cause of disability and healthcare expenditure according to *The Burden of Musculoskeletal Diseases in the United States*, a 2011 publication of a coalition of professional organizations including the American Academy of Orthopaedic Surgeons. Based on the commercial introduction of new products and expanded applications of approved products, the musculoskeletal, orthopedics and spine segment of the regenerative medicine market is projected to reach approximately \$13 billion worldwide by 2015 according to a 2010 report issued by MedMarket Diligence.

Our initial product candidate, NeoCart, leverages our regenerative medicine platform and, upon approval, if any, we believe will compete in the musculoskeletal segment of the regenerative medicine marketplace with an initial focus on treating cartilage damage in the knee.

Cartilage Damage

Joint, or articular, cartilage covers the ends of bones and allows for joints to glide smoothly with minimal friction. Cartilage damage, or chondral defects, can be caused by acute trauma, such as a bad fall or sports-related injury, or by repetitive trauma, such as general wear over time. Unlike other tissues in the body, joint cartilage has no innate ability to repair itself, making any injury permanent. Left untreated, even a small chondral defect can expand in size and progress to debilitating arthritis, ultimately necessitating a joint replacement procedure.

We estimate that, based in part on historical growth rates reflected in a 2011 article in the *Journal of Bone and Joint Surgery*, over 1,000,000 knee arthroscopies are performed on an annual basis in the United States in skeletally mature adults and, based on a 2007 article published in *The Knee*, more than 60% of those arthroscopies may reveal cartilage damage. To standardize the reporting of the severity of chondral defects, the International Cartilage Repair Society established a universal classification system that grades the damage using a scale of 1 to 4, with 4 considered the worst. Grade 3 and 4 chondral defects, also referred to as full-thickness defects, are considered severe. Based on the projected growth in the number of annual arthroscopies in the United States, we believe that by 2015 at least 750,000 patients in the United States will be diagnosed with full-thickness chondral defects and over 1,000,000 Americans annually will undergo a primary total knee replacement resulting from disabling arthritis.

Limitations of Current Alternatives for Treating Cartilage Damage

We estimate, based on internal research, that over 500,000 knee cartilage procedures are performed annually in the United States, primarily in the form of debridement, microfracture, conventional autologous chondrocyte implantation (ACI) and osteochondral grafting.

Debridement and microfracture procedures are the most frequently performed surgical procedures for treatment for cartilage damage, accounting for an estimated 90% of all such procedures according to materials from a 2009

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meeting of the Cellular Tissue and Gene Therapies Advisory Committee of the FDA. Debridement is an arthroscopic procedure that involves removal of injured or loose tissue debris by shaving, cutting or scraping it. Debridement does not attempt to repair cartilage damage. The surgeon's only goal when performing debridement is to improve a patient's symptoms.

Microfracture is considered the current standard of care for severe chondral defects due to its short-term success in improving symptoms in many patients, its simplicity, its safety profile and the lack of other viable alternatives. The procedure consists of perforations, or microfractures, made to the bone plate at the location of cartilage damage in order to allow bone marrow stem cells access to the injured area. Microfracture surgery, a procedure pioneered in the 1980s, was developed to exploit the ability of stem cells to differentiate into mature cells and tissue types. If bone marrow stem cells are able to access the injured area and stay in place by forming a blood clot, then they may differentiate into cartilage cells, or chondrocytes, that would potentially go on to form cartilage. However, microfracture has been unsuccessful in reliably solving the underlying problem of cartilage damage because the repair tissue formed by the procedure, which has been found to usually be a mix of tissue types, is incapable of withstanding the normal shock and shear forces that joint cartilage sustains.

In addition to its inability to solve the underlying problem—damage to the articular cartilage—microfracture is associated with numerous other drawbacks and limitations, including the following:

- **Modest Efficacy:** The results of microfracture vary based on patient-specific characteristics and individual healing responses. Studies have shown the benefits of microfracture are negatively influenced by advanced age, higher body weight, larger chondral defect size and limited amount of repair tissue formed.
- **Limited Long-Term Patient Benefits:** Positive clinical response to microfracture has been shown to wane over time. A systematic review summarizing multiple articles on microfracture and published in the *American Journal of Sports Medicine* in 2009 revealed that up to 80% of microfracture patients report deterioration in their postoperative functional improvement after two years. Based on our interpretation of a 2013 article in *Cartilage* and the 2009 systematic review in the *American Journal of Sports Medicine*, we believe over 30% of microfracture patients require subsequent additional cartilage procedures after two years and up to 50% of all microfracture patients eventually require unplanned knee procedures due to persistent or recurrent symptoms.
- **Extended Patient Recovery:** Microfracture patients are typically not allowed to resume any vigorous activities for six months after their surgeries. During this time, patients must avoid weight-bearing activities for the first six weeks and use continuous passive motion machines for several hours per day. Prolonged physical therapy is often recommended. Such requirements and restrictions are believed necessary to optimize the anatomic and clinical results of microfracture, but come at the cost of muscle weakening and delayed resumption of activities.

ACI and osteochondral grafting are procedures generally reserved for failed cartilage procedures or very large cartilage defects. While studies indicate beneficial outcomes for patients receiving these treatments, both have drawbacks and limitations similar to those affecting debridement and microfracture, and also are associated with the following:

- **Technically Demanding Surgeries:** ACI is a slurry of autologous cartilage cells formed from a biopsy of a patient's cartilage and grown over six to eight weeks. A patch or cover must be sutured into the surrounding healthy cartilage to hold the slurry in place. Osteochondral grafting, whether using the patient's own cells or using another person's tissue, consists of a circular plug of bone and cartilage press-fit into the defect and can be challenging to perform because of the difficulty of achieving an exact match, fit and placement of the graft.
- **Negative Safety Profile:** ACI techniques are associated with graft failure, delamination (loss of cartilage layering), tissue overgrowth and knee stiffness. According to a 2006 report in the *Journal*

of Bone and Joint Surgery, 48% of ACI patients underwent reoperation as a result of problems directly related to the graft. Osteochondral grafting, if performed with the patient's own cells, is associated with limitations in treatable defect sizes because of associated donor site morbidity and, if performed using another person's tissue, is associated with the potential of disease transmission and nonunion.

Our Regenerative Medicine Platform and Initial Product Candidate

Our Regenerative Medicine Platform

Our regenerative medicine platform is comprised of innovative bioengineering, advanced proprietary materials sciences as well as molecular and cellular biology technologies that can be utilized individually or in a variety of combinations to treat musculoskeletal-related conditions:

- **Cell Processing:** As part of our process of implant production, our cell processing technologies involve the handling of a biopsy specimen in our own cGMP facilities, cell extraction from the biopsy and the expansion of cells in our segregated cell culture facility. Our proprietary process is currently optimized for, but not limited to, cartilage cell culturing.
- **Scaffolds:** Scaffolds are structures capable of supporting three-dimensional tissue formation and providing an environment for the cells that are needed to form the tissue. Our three-dimensional scaffold structures, including our honeycomb collagen scaffolds, are designed to produce a cartilage-like implant. The term "honeycomb" describes the shape of the pores inside of the scaffold as they are shaped like a honeycomb. The scaffold for NeoCart is shaped like a disk, with diameter of 34 mm and thickness of 1.5 mm. Our scaffold structures enable the distribution of cells throughout the scaffold. The honeycomb structure is important because it allows cartilage cells to line up vertically throughout the scaffold so that they organize as they normally would in native cartilage. Competing scaffolds only accommodate cells on their surface or in layers. Our proprietary three-dimensional scaffolds are biocompatible, biodegradable and non-toxic. These scaffolds can support and deliver a variety of cell types.
- **Tissue Engineering:** Tissue engineering refers to applications that repair or replace portions of or whole tissues such as cartilage, bone, blood vessels and skin. We use a combination of cells, engineering and materials methods to produce our tissue implant for the purpose of repairing cartilage tissue. Our proprietary TEPs incubate our cell- and scaffold-based implants under conditions designed to mimic the conditions found in the knee, including pressure changes and low oxygen levels. We believe our proprietary TEP technology is unique to the tissue repair market and is one of the reasons patients receiving a NeoCart implant in our Phase 1 and Phase 2 clinical trials recovered more quickly and realized positive long-term outcomes as compared to patients receiving microfracture surgery.
- **Bioadhesive:** Our proprietary bioadhesive, CT3, secures the NeoCart implant in the defect and eliminates the need for complicated suturing required during certain other cartilage repair treatments. Our internal studies demonstrate that CT3 is stronger than the fibrin glue used in other surgical procedures, including other current cartilage repair treatments. CT3 is comprised of three components: methylated collagen, activated polyethylene glycol (PEG) and a simple salt buffering solution that acts as a curing component. CT3 is biodegradable and nontoxic. We believe CT3 contributes to the quick recovery and the positive long-term outcomes seen in our Phase 1 and Phase 2 clinical trials.
- **Growth Factors:** Our proprietary growth factors include a number of variants that are key elements in the processes of proliferation and differentiation of a wide variety of cells and tissues. We intend to explore the use of these growth factor variants to speed the expansion of biopsy specimens in the laboratory and may eventually implement this technology into our manufacturing process. We also believe they could have therapeutic applications for, among other ailments wound and fracture healing.

NeoCart: Our Initial Product Candidate

NeoCart, our Phase 3 product candidate, utilizes many aspects of our regenerative medicine platform to repair knee cartilage damage. We believe NeoCart has the potential to provide several benefits not provided by current treatment alternatives for knee cartilage damage, including:

- **Improved Efficacy:** In our Phase 2 clinical trial of 30 patients, NeoCart showed better clinical outcomes when compared directly to microfracture on measures of pain and function. The difference in improvement between the two groups was apparent as early as three months following surgery and was statistically significant at six months, one year, two years and three years. We believe efficacy seen in our trials to date is a result of NeoCart's ability to function like cartilage upon implantation and integrate with the surrounding native tissue, features that distinguish it from current treatment alternatives.
- **Long-Term Patient Benefits:** In contrast to microfracture's well-documented deterioration of results after two years, NeoCart's positive outcomes have been sustained for three or more years in our Phase 1 and 2 clinical trials. We believe that all of the biologic and mechanical attributes of NeoCart provide the potential for a durable clinical response and give it the potential to prevent the evolution of osteoarthritis and subsequent need for knee replacement surgery.
- **Accelerated Patient Recovery:** Our CT3 bioadhesive anchors NeoCart in the defect bed and seals it to the surrounding native cartilage. The cartilage-like NeoCart implant coupled with the secure CT3 fixation may allow for earlier weight-bearing and accelerated recovery of function than is typical with current therapies, which would be distinctly advantageous for any cartilage repair solution. In our Phase 3 clinical trial, patients may be allowed to begin weight-bearing activities as soon as two weeks following implantation versus six weeks for the current standard of care, microfracture.
- **Technically Straightforward Surgery:** The use of our CT3 bioadhesive eliminates the need for complicated suturing associated with ACI techniques. Unlike osteochondral grafting procedures, the NeoCart implant is tailored to the shape of the defect so that all normal host tissue is left in place.
- **Positive Safety Profile:** To date, NeoCart has shown no evidence of tissue overgrowth or knee stiffness often associated with ACI techniques. Reoperation rates to address problems directly related to the cartilage procedure or other persistent general knee symptoms, associated with all cartilage techniques and particularly high with ACI techniques, have been very low in NeoCart patients followed for five years in our Phase 1 and Phase 2 clinical trials.

Our Business Strategy

Our goal is to leverage our regenerative medicine platform to develop and commercialize innovative, next generation products to treat patients suffering from musculoskeletal-related conditions. To achieve our goal, we initially plan to focus on completing the enrollment of our Phase 3 clinical trial for NeoCart by the end of the first half of 2016 with the intent of applying for regulatory approval in the United States from the FDA after the clinical data is available. In parallel, we plan to continue to develop our manufacturing capabilities that support the clinical development and eventual commercial development of NeoCart, if approved. We plan to build our commercial infrastructure during our Phase 3 clinical trial for NeoCart to support a successful launch and commercialization of NeoCart in the event it receives FDA approval. The overarching strategies that support these goals are as follows:

- **Complete Phase 3 Clinical Trial and Apply for Regulatory Approval of NeoCart in the United States.** We are currently enrolling our Phase 3 clinical trial. As part of the clinical trial, 245 patients will be randomly selected to receive either a NeoCart implant or microfracture surgery on a two-to-one basis. As of May 1, 2014, we had 21 active sites across the United States, with an additional nine sites identified that we may elect to activate. We have the ability, if we choose to, to activate up to an aggregate of 40 sites for the completion of the clinical trial. Assuming positive

results of the clinical trial, we plan to submit a Biologics License Application (BLA) to the FDA for approval in the United States when the 12 month data is available, which we expect to be in the first half of 2017. Upon receiving approval from the FDA, if at all, we then intend to launch and commercially market NeoCart for the treatment of cartilage defects in the knee.

- **Continue to Develop Our Manufacturing Capabilities.** We own and operate our own cGMP manufacturing operations for NeoCart and we plan to transfer production of critical raw materials and components used in the NeoCart production process to a new manufacturing facility that we are in the process of developing. For our clinical trials of NeoCart, the raw materials and components were supplied to us by external vendors. We are transferring production to our own facilities in order to gain full control over quality, process, supply and costs. This transition to our own manufacturing facilities will also enable us to expand production capacity for clinical and commercial supply of NeoCart in the future in the event we receive FDA approval, subject to comparability verification and confirmation by the FDA.
- **Maximize Commercial Opportunity of NeoCart.** We expect to invest strategically in a U.S. commercial infrastructure to support the successful launch, commercialization and post-marketing support for NeoCart in the event NeoCart should receive FDA approval. As part of this investment, we intend to build a highly experienced medical affairs, sales and marketing organization to target orthopedic surgeons in the United States as the primary point of contact. The commercial organization is also expected to include internal infrastructure to support the high-touch, on-demand communication and processes associated with the manufacturing, specialized distribution and final delivery of NeoCart to the orthopedic surgeons who perform the NeoCart implantation.
- **Leverage Our Core Technology Platform to Expand into Additional Therapeutic Applications.** We believe a significant unmet market need and commercial opportunity exist for NeoCart to treat cartilage defects in other joints such as ankles, shoulders and hips. Further, we plan to exploit our regenerative medicine platform to develop products that treat additional soft tissue and musculoskeletal-related disorders.
- **Selectively Evaluate Business Development Opportunities.** We plan to evaluate business development opportunities, which may include in-licensing and out-licensing of products or technologies, in order to strengthen our revenue prospects and improve our manufacturing capabilities.
- **Continue to Invest in Building and Protecting Our Intellectual Property.** We intend to continue to expand our strong existing intellectual property portfolio and protect our regenerative medicine platform for both NeoCart and future product candidates by filing patent applications in the United States, the European Economic Area (EEA, which is comprised of the 28 Member States of the European Union, Iceland, Liechtenstein and Norway) and other jurisdictions with the goal of extending the degree and level of protection as well as the duration of protection across our core technologies and products.

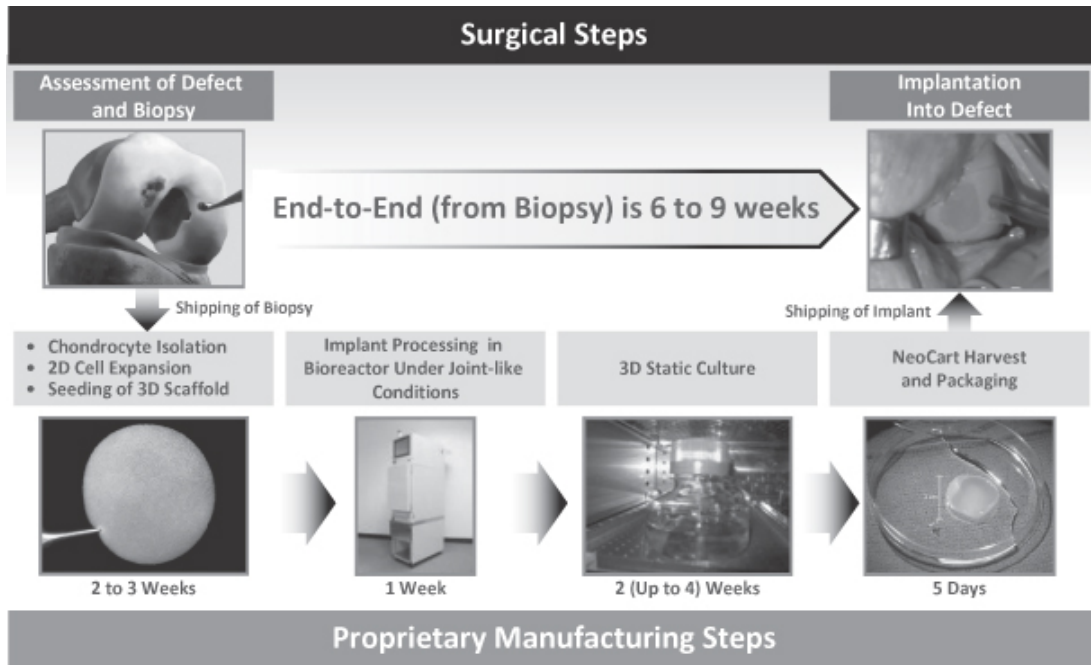
Our Phase 3 Product Candidate: NeoCart

NeoCart is our lead product candidate and is currently being evaluated in a U.S. Phase 3 clinical trial as a first-line therapy for full thickness knee chondral lesions in skeletally mature adults age 18 to 55. NeoCart is a cartilage-like implant created from a patient's own cartilage cells. The patient's cells are multiplied in our laboratory and then infused into a proprietary scaffold to allow them to organize and function like cartilage cells. Before NeoCart is shipped to the surgeon for implantation, the cell- and scaffold construct undergoes a bioengineering process that is designed to mimic a joint so that the implant, upon placement in the knee with our proprietary CT3 bioadhesive, is primed to begin functioning like healthy cartilage.

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NeoCart data produced to date in the Phase 1 and 2 clinical trials has demonstrated very favorable safety and the potential for durable efficacy and has been published in journals such as the *Journal of Bone and Joint Surgery*, which accepted the Phase 2 data as resulting from a study that was designed, conducted, analyzed and reported with the highest degree of rigor possible. Please see the sections below entitled “Phase 2 Clinical Trial” and “Phase 1 Clinical Trial” for a discussion of the data from our Phase 1 and Phase 2 clinical trials. We consider the data observed thus far to be a direct result of NeoCart’s distinct attributes, derived from our regenerative medicine platform, that combine to form a sophisticated and unique biologic implant capable of functioning like normal cartilage upon implantation. Further, we believe the data reflects that, after implantation, NeoCart continues to mature and integrate with the native cartilage as it experiences the natural environment of the joint. We believe these attributes and the clinical data we have accumulated to date differentiate NeoCart from other treatment alternatives, including microfracture. A pictorial representation of the entire NeoCart creation process from biopsy to implantation is displayed below.

THE NEOCART PROCESS



Phase 3 Clinical Trial

We are pursuing FDA approval via a BLA pathway with a clinical trial designed to show superiority against the current standard of care, microfracture. Our NeoCart Phase 3 clinical trial is being performed under an SPA with the FDA and was initiated as a confirmatory study based on the promising safety and efficacy findings from our Phase 2 clinical trial. The Phase 3 clinical trial design, based on our Phase 2 clinical trial, is a prospective, controlled, multi-center trial of 245 adults between the ages of 18 and 55 years who have symptomatic focal full-thickness chondral knee defects randomized between NeoCart and microfracture on a two-to-one basis. Randomization is done at arthroscopy, at which time final patient eligibility is determined.

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Under our SPA, the primary endpoint for approval is superiority at one year in the proportion of responders in the NeoCart patient group compared to the proportion of responders in the microfracture patient group in a dual-threshold responder analysis utilizing the Knee Injury and Osteoarthritis Outcome Score (KOOS) pain subscale and International Knee Documentation Committee Subjective (IKDC Subjective) assessments. Both the KOOS pain and the IKDC Subjective assessments are validated, patient-centered and self-administered outcome instruments intended to assess patient-relevant outcomes. The KOOS separately assesses and scores five dimensions of outcomes from the patient’s perspective: pain, symptoms, activities of daily living, sport and recreation function and knee-related quality of life. Similarly, the IKDC Subjective assesses and scores three dimensions of outcomes from the patient’s perspective: symptoms, function during activities of daily living and sports.

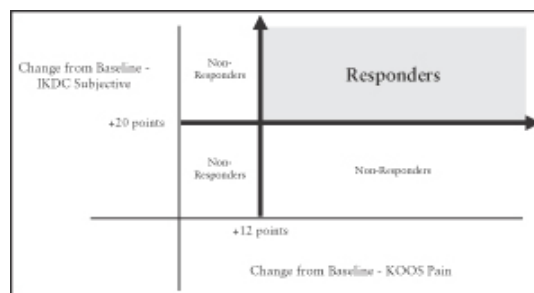
The scores are tabulated and transformed to a 100-point scale, where 100 represents the best outcome for either pain or function and zero represents the worst outcome. A one-year superiority endpoint was deemed appropriate for our Phase 3 clinical trial based on the magnitude of difference between the responder rates at one year for patients receiving NeoCart implants and patients receiving microfracture surgery in our Phase 2 clinical trial, a magnitude of difference that continued to be present at the second and third years. We believe that, should our Phase 3 clinical trial show a comparable magnitude of difference in responder rates between NeoCart and microfracture, NeoCart’s ability to function like cartilage upon implantation and integrate with the surrounding native tissue, attributes of NeoCart we believe are responsible for our Phase 2 clinical trial results, will be a principal reason for the one-year Phase 3 clinical trial outcome and the presumed resultant durability. However, there is no guarantee that our Phase 3 clinical trial results will demonstrate the same results as our Phase 2 or Phase 1 clinical trials and NeoCart may not be approved for sale in the United States by the FDA if the requirements under our SPA are not satisfied.

Similar to our Phase 2 clinical trial, discussed below in “Phase 2 Clinical Trial,” in the Phase 3 clinical trial, a patient is considered a responder if he or she achieves both of the following patient-reported outcomes:

- improvement of at least 12 points compared to the patient’s baseline score in KOOS pain subscore assessment; and
- improvement of at least 20 points compared to the patient’s baseline score on the IKDC Subjective assessment.

In the schematic below, the area in the upper right-hand quadrant of the graph, shaded in gray, is the zone reflecting those patients who achieved improvement of both at least 12 points on the KOOS pain scale and at least 20 points on the IKDC Subjective. The horizontal axis, or x-axis, is the KOOS pain scale and the vertical axis, or y-axis, is the IKDC Subjective.

SCHEMATIC REPRESENTATION OF RESPONDER RATE ANALYSIS



The following additional endpoints will be evaluated in secondary superiority testing at one year comparing the NeoCart patient group to the microfracture patient group:

- time to full weight-bearing;

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- “treatment failure,” defined as a greater than an 8-point deterioration in KOOS pain score at one year compared to baseline; and
- presence of mature collagen layering as assessed by magnetic resonance imaging cartilage mapping at one year.

Patients will be followed for a total of three years for safety and additional efficacy data.

Phase 3 Status

In late 2009, pursuant to our SPA, we initiated our Phase 3 clinical trial and our first patient was randomized in June 2010. In September 2010, after nine patients had been randomized, active enrollment was postponed until the completion of a convertible debt financing in late 2011.

In November 2012, we voluntarily suspended manufacturing operations and paused enrollment of the NeoCart Phase 3 clinical trial upon discovery of discrepancies in the testing procedures used to assess one of the raw materials (bovine-derived type I collagen) utilized in the manufacture of NeoCart implants. All participating clinical trial sites, including Institutional Review Boards (IRB), and the FDA were notified of our decision. After an in-depth review of all available information, we concluded that the observed discrepancies did not impact product quality or patient safety, but we chose to continue our self-imposed pause to improve and upgrade our existing manufacturing and quality control systems processes to meet or exceed cGMP standards. This transition was completed in December 2013.

Prior to our November 2012 voluntary election to pause enrollment, 30 patients had been randomized into the NeoCart Phase 3 clinical trial. Twenty-one of these patients were randomized to receive a NeoCart implant and nine were randomized to undergo a microfracture procedure. Upon completion of the manufacturing transition in December 2013, we resumed enrollment at over 20 active sites, specifically chosen based on appropriate case volume, investigator interest in the science of cartilage and clinical research capabilities. Under the SPA, we have the ability to expand the clinical trial to 40 U.S. sites. Based on certain assumptions, including estimates of patient recruitment at 25 fully qualified sites and timely completion of the technology transfer discussed below in “Manufacturing – NeoCart Technology and Materials Transfer,” we anticipate enrolling the remaining 215 patients by the first half of 2016.

Phase 2 Clinical Trial

Our NeoCart Phase 2 clinical trial was initiated in 2007 to evaluate further the positive safety and early efficacy signals demonstrated in our Phase 1 clinical trial of NeoCart for articular cartilage damage in the knee. We also sought to identify clinically meaningful endpoints and identify appropriate patient populations to be studied in the design of future clinical studies. The trial was a five-year prospective, controlled, randomized, clinical study of 30 patients conducted at six U.S. centers and completed its enrollment in 2008. Twenty-one patients were randomized to receive a NeoCart implant and nine patients were randomized to undergo a microfracture procedure. The trial was completed in 2013 and final data collection was completed in 2014.

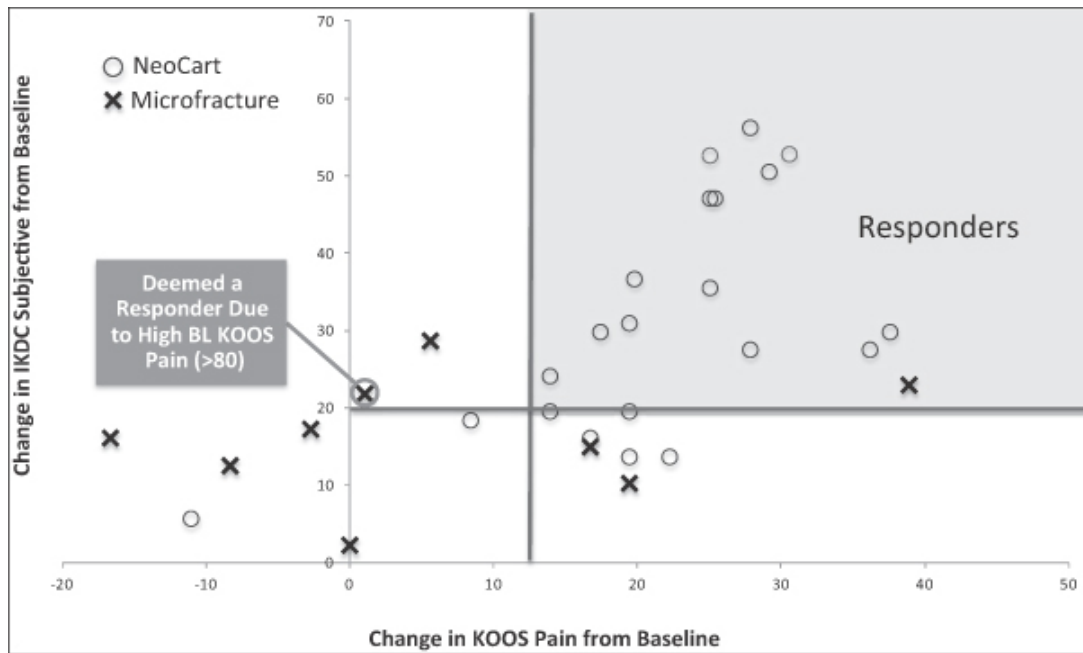
In the Phase 2 clinical trial, baseline (preoperative) pain and function assessments were obtained and included, among other measurement instruments, the KOOS pain and symptoms subscales, the IKDC Subjective assessment and a visual analog pain scale. At every measurement interval between three months and three years, the same pain and function assessments were measured. The data were analyzed using descriptive statistics (mean and standard deviation), paired t testing and analysis of covariance with significance levels (p-values) set at less than 0.05 (two-sided). According to the results of the analysis, those patients receiving a NeoCart implant achieved statistically significant improvement (all p-values <0.05) compared to their baseline assessments on the KOOS pain and symptoms subscales, the IKDC Subjective assessment and a visual analog pain scale, meaning that sufficient data exist to indicate the improvement on each measure is unlikely to have occurred by chance. Furthermore, when this improvement from baseline was compared to the improvement of microfracture from baseline, NeoCart’s improvement was statistically significantly better (all p-values <0.05) than microfracture’s improvement on over half of the measurements.

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Additional comparison of the two groups was performed with the previously described dual-threshold responder analysis we are utilizing in our Phase 3 clinical trial. To be considered a responder in the Phase 2 clinical trial, a patient must have achieved a minimum improvement on the KOOS pain subscale and the IKDC Subjective assessment compared to his or her baseline scores. The minimum required improvement for pain was 12 points and the minimum required improvement for function was 20 points.

The selected thresholds have been validated in the literature as clinically meaningful to patients. In some cases, patients entered the Phase 2 clinical trial with pain scores at a level such that they could not have improved a great deal (for example, a baseline of 91 points on a scale of 100). In those cases, patients were considered responders if their function scores improved a minimum of 20 points even if their pain scores did not improve the required 12 points. Compared to the microfracture group, significantly more NeoCart-treated patients responded to treatment at six months, one year and two years. In addition, a majority of Year 1 responders with a NeoCart implant remained responders at Year 3 compared to none of the microfracture responders at Year 1. The difference in responder rates between the groups favored NeoCart as early as three months post-surgery.

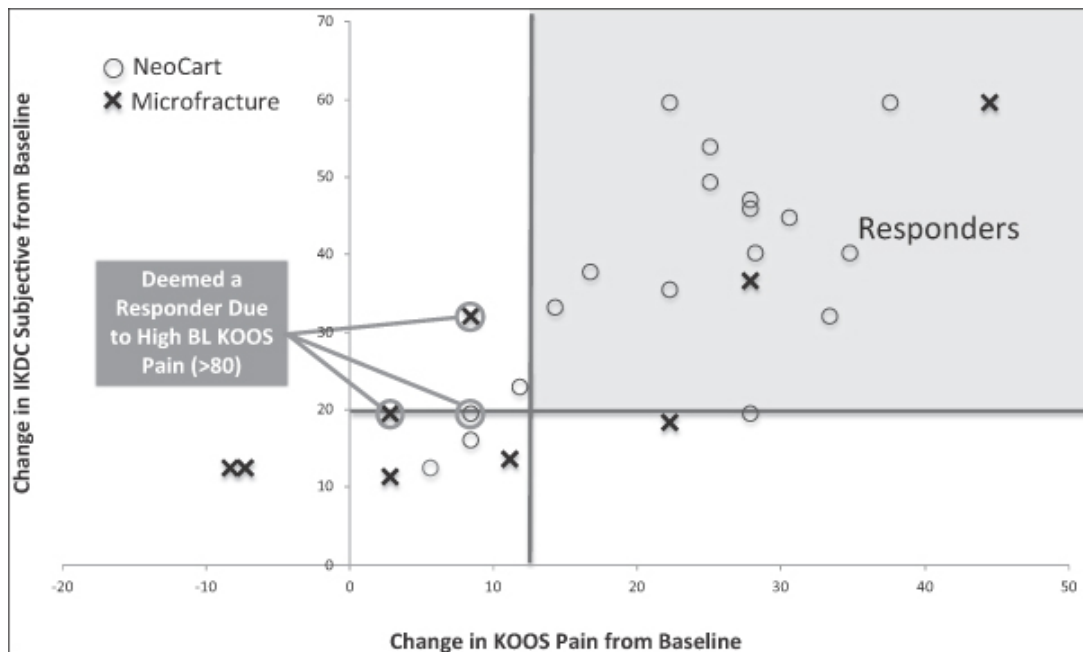
RESPONDER RATE ANALYSIS AT YEAR 1



As shown in the graphic above, at Year 1, the number of NeoCart patients (represented by an “O”) who achieved responder status was greater than the number of microfracture patients (represented by an “X”) who achieved responder status. Many patients far exceeded the minimum dual thresholds required to be considered a responder.

As explained more fully above, some patients entered the Phase 2 clinical trial with minimal pain indicated by a high baseline KOOS pain score. A score of 100 on the KOOS pain scale indicates the patient is reporting no pain. In those few cases, only the change in IKDC Subjective score was used to determine if the patients responded to therapy. In those cases, patients were deemed responders if their function scores improved a minimum of 20 points even if their pain scores did not improve the required 12 points.

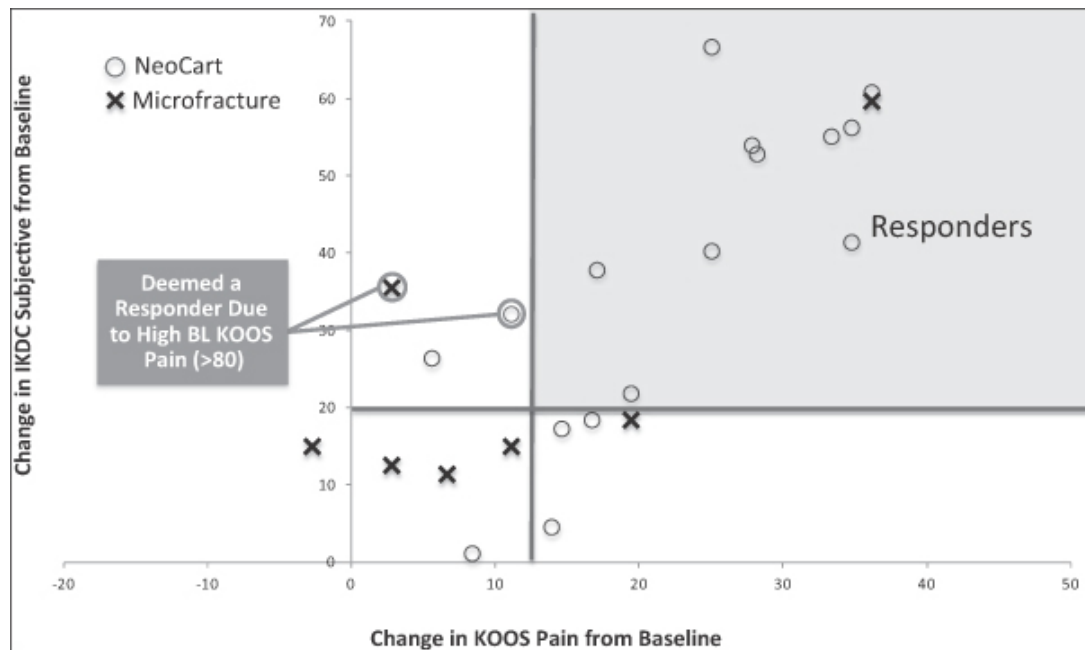
RESPONDER RATE ANALYSIS AT YEAR 2



As shown in the graphic above, at Year 2, the number of NeoCart patients (represented by an “O”) who achieved responder status was greater than the number of microfracture patients (represented by an “X”) who achieved responder status. Many patients far exceeded the minimum dual thresholds required to be considered a responder. Some NeoCart patients continued to improve compared to their Year 1 results, indicative of durability of response.

As explained more fully above, some patients entered the Phase 2 clinical trial with minimal pain indicated by a high baseline KOOS pain score. A score of 100 on the KOOS pain scale indicates the patient is reporting no pain. In those few cases, only the change in IKDC Subjective score was used to determine if the patients responded to therapy. In those cases, patients were deemed responders if their function scores improved a minimum of 20 points even if their pain scores did not improve the required 12 points.

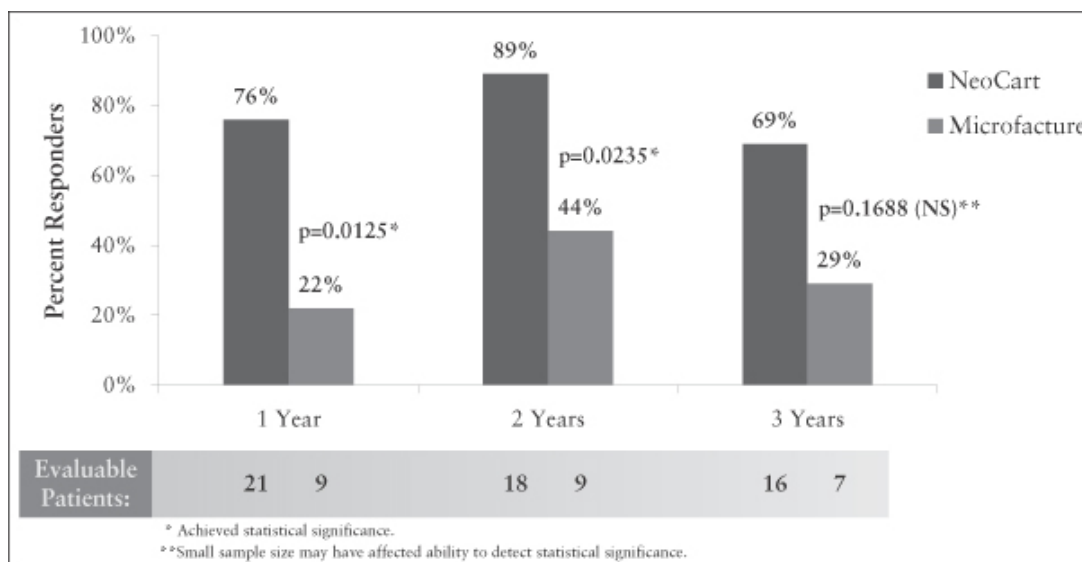
RESPONDER RATE ANALYSIS AT YEAR 3



As shown in the graphic above, at Year 3, the number of NeoCart patients (represented by an “O”) who achieved responder status was greater than the number of microfracture patients (represented by an “X”) who achieved responder status. Many patients far exceeded the minimum dual thresholds required to be considered a responder. Some NeoCart patients continued to improve compared to their Year 1 and Year 2 results, indicative of durability of response. A microfracture patient also far exceeded the minimum dual thresholds to be considered a responder. This patient had not been in the responder group prior to Year 3.

As explained more fully above, some patients entered the Phase 2 clinical trial with minimal pain indicated by a high baseline KOOS pain score. A score of 100 on the KOOS pain scale indicates the patient is reporting no pain. In those few cases, only the change in IKDC Subjective score was used to determine if the patients responded to therapy. In those cases, patients were deemed responders if their function scores improved a minimum of 20 points even if their pain scores did not improve the required 12 points.

RESPONDER RATE ANALYSIS AT YEARS 1, 2 AND 3



In November 2013, the Phase 2 trial concluded its five-year observation period and we anticipate submitting final results in late 2014. During the course of the trial, no serious adverse events (expected or unexpected) were considered to be product- or implant-related. Two-year results of this trial were published in the *Journal of Bone and Joint Surgery* in 2012.

Phase 1 Clinical Trial

A Phase 1 clinical trial was conducted to demonstrate the safety of NeoCart for use when implanted into cartilage defects in the knee with the intention of repairing the articular cartilage defects. The two-year results of our Phase 1 clinical trial were published in the *American Journal of Sports Medicine* in 2009. Among the eight patients studied, all of whom enrolled in 2005 and completed five years of observation, a highly favorable safety profile of NeoCart was documented. The trial was completed in 2010 and final data collection was completed in 2011. Specifically, few reported complications occurred and no serious adverse events (expected or unexpected) were deemed treatment-related. No cases of infection, implant rejection or immune reaction were documented. Additionally, joint stiffness and implant overgrowth did not occur in any patient. Efficacy signals in the form of significant improvement in pain and function, measured with patient-reported outcome surveys such as the visual analog pain scale and the IKDC Subjective score, compared to each patient’s baseline scores were also noted.

Pipeline and NeoCart Indication Expansion

We expect to build a robust development pipeline by leveraging our regenerative medicine platform and intellectual property portfolio as well as expanding the applications of NeoCart into additional indications.

Although our initial focus for NeoCart is for the treatment of knee cartilage damage, we plan to leverage our regenerative medicine platform to explore the treatment of chondral defects in other joints, such as the ankle, hip and shoulder. Furthermore, we believe our platform can be utilized to address more extensive cartilage damage associated with significant bone loss and generalized arthritis as well.

Our acellular scaffolds are capable of hosting cells of any type, which allows us the flexibility to tailor their use for other regenerative medicine opportunities beyond cartilage repair, including ligament, tendon and meniscus repair.

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In addition to the potential use of our growth factor variants in optimizing our manufacturing process, our proprietary growth factor variants may be capable of being used in therapeutic applications such as fracture healing, osteoporosis, generalized osteoarthritis, orphan diseases involving genetically-based bone growth disruption (applicable to our specific variants) and wound healing.

Commercialization

Assuming NeoCart is approved by the FDA, we plan to build our own commercial organization in the United States to support the launch and commercialization of NeoCart. The organization will be designed for scalability to support other potential future products as well. For NeoCart, we initially plan to scale up to approximately 30 sales representatives and management after FDA approval. The NeoCart sales force will target the estimated 4,000 to 5,000 orthopedic surgeons in the United States who may use NeoCart, including a core group of physicians focused on the care of cartilage injuries. We expect this core commercial team to be comprised of experienced sales representatives with relevant industry experience in the areas of orthopedic surgery and biologics sales. The commercial organization is anticipated to include hospital-based and physician-based sales, medical affairs, strategic and product marketing, access reimbursement specialists and distribution specialists. We may also selectively evaluate commercialization strategies, including partnering, for NeoCart outside of the United States.

Manufacturing

We operate our own cGMP manufacturing facility in Waltham, Massachusetts for the end-to-end production of NeoCart. We currently have adequate capacity in our Waltham, Massachusetts facility to meet NeoCart clinical demand and initial commercial demand if we are successful in receiving regulatory approval for NeoCart in the United States. Our manufacturing strategy is to own and operate fully integrated cGMP manufacturing operations for commercial production of NeoCart in the event NeoCart receives FDA approval. We expect that the exclusive ownership of our cGMP operations will afford us the potential for greater optimization, scalability, lower cost of goods and greater control over our supply chain as compared to utilizing one or more third-party manufacturers.

We are in the process of locating and developing our own cGMP manufacturing facility in Waltham, Massachusetts for production of key raw material and components used in the NeoCart production process and during implantation of NeoCart. Our scaffolds and CT3 bioadhesive will be manufactured at the facility. We also plan to manufacture the collagen raw material used in the production of the scaffold, CT3 bioadhesive and sterile collagen solution.

NeoCart Manufacturing Process

Our manufacturing process for NeoCart is systematic and organized with specific steps that are tightly controlled. The first step includes receiving a biopsy from the patient's own cartilage from which cartilage cells can be isolated and expanded in number using segregated cell culture technology at our cGMP manufacturing facility in Waltham, Massachusetts. Once we have achieved an adequate number of cartilage cells, these cartilage cells are placed into a sterile collagen solution provided to us in vials after sterile filtration by a third party contract manufacturer, and then applied to the three-dimensional collagen scaffold. The scaffold provides a support for the NeoCart implant to grow and develop into the form ultimately implanted. The scaffold is currently provided to us by a third-party supplier. The development of the NeoCart implant occurs under controlled conditions in our in our TEP system which exposes the implant to pressure cycles designed to simulate the pressure cycles that cartilage is exposed to in the knee. After development in the TEP system, the implant is placed into a solution that allows further maturation prior to implantation. Once the implant is mature, it is shipped by a third-party to the clinical site for implantation in the patient, which typically occurs within three to five days after the completion of the manufacturing process. The manufacturing cycle time, from receipt of biopsy to delivery of the implant, is approximately six to 12 weeks. The range in cycle time is dependent upon the variability in growth rate of the cells obtained from individual patients.

The quality control laboratory, located within our main Waltham, Massachusetts facility, handles cGMP release testing for the raw materials, CT3 components and adhesive, the collagen scaffold and final NeoCart implant. Further, our quality control group handles all in-process and finished product environmental monitoring related

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to the manufacturing process. Testing is performed pursuant to validated test methods using qualified equipment. The quality control group also maintains a stability testing program for the collagen raw material and finished products.

NeoCart Technology and Materials Transfer

Manufacturing of raw materials and components used in the NeoCart supply chain is undergoing a technology transfer from outsourced contract manufacturers, which we used for clinical manufacturing, to our anticipated new manufacturing facility in the Waltham, Massachusetts area, which we will use for commercial manufacturing in the event NeoCart is approved by the FDA. This technology transfer extends to the three components of the CT3 bioadhesive—methylated collagen, curing solution and activated PEG—and collagen honeycomb scaffold, which is used in the production of NeoCart. We also plan to transfer production of the collagen raw material used in some of the NeoCart components to our new facility. Sterile filtration and aseptic filling of our sterile collagen solution used in NeoCart production will continue to be performed by a third-party contract manufacturer. We do not anticipate changes to raw materials, components, formulations or properties, nor do we anticipate changes to the NeoCart manufacturing process or finished product specifications as a result of the transfer.

Because we are transitioning production of critical raw material and components to our own manufacturing facility for future commercial production, we will be required to demonstrate to the FDA that the raw collagen material and the components manufactured in the new facility are comparable to those that were used previously in clinical studies. In order to implement the technology transfer prior to submission of the BLA, we intend to submit an amendment to the existing Investigational New Drug (IND) application file for FDA pre-approval. Prior to submission of this amendment, we plan to obtain FDA input and agreement with our plans via a formal FDA-Sponsor Type C meeting. We are targeting the second half of 2014 to present technology transfer and comparability plans that include our cGMP compliant facilities, our processes as well as comparability data that we will have generated from materials produced from pilot scale runs. The presentation will also include a proposed analytical comparability protocol for materials produced from full scale production runs. Demonstrating comparability requires evidence that the product is consistent with that produced for the clinical trial to assure that the technology transfer does not affect safety, identity, purity, or potency (efficacy) during the expansion from pilot scale to full scale production. This demonstration is based on various methods, as recommended in the FDA and International Conference on Harmonization regulatory guidelines. At the Type C meeting, we will seek FDA feedback and agreement that our initial pilot scale analytical comparability data and proposed comparability protocol are sufficient. Based on internal review and guidance, we believe our current plan to provide analytical comparability data to the FDA for review may be sufficient. Should the FDA determine that additional clinical data is required to confirm comparability, we would collaborate with FDA to develop a mutually agreeable plan to be executed prior to submitting the BLA.

Intellectual Property

Patent and trade secret protection is critical to our business. Our success will depend in large part on our ability to continue to protect our cell processing technology, materials science and products for tissue repair through a variety of methods, including seeking, maintaining and defending patents and other intellectual property intended to cover our products and compositions, their methods of use and processes for their manufacture, our platform technologies, our trade secrets and any other inventions that are commercially important to the development of our business. We actively seek patent protection in the United States and select foreign countries.

Our intellectual property portfolio is currently composed of 22 issued patents and 11 patent applications in the United States that we own, and 23 issued patents and three patent applications in the United States that we license from academic institutions and business entities. We also have over 100 counterpart patent and patent applications owned or licensed in certain foreign jurisdictions. This portfolio of owned and in-licensed patents and patent applications covers aspects of: our implants, including NeoCart and our protein implants; our tissue engineering processor; our adhesives; our growth factors, methods of delivery of therapeutic agents and promoters for increased expression of protein; our method for treatment of ligament and tendon injuries; surgical tools for placing our implants; and our bone composites. The patents that cover the listed technologies have statutory expiration dates between 2014 and 2030.

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We have entered into license agreements with various academic institutions and business entities to obtain the rights to use certain patents and patent applications for the development and commercialization of our technology and products. We also rely on know-how and continuing technological innovation to develop and maintain our proprietary position.

We license from Purpose Co., Ltd. (f/k/a Takagi Sangyo Co. Ltd. and f/k/a Takagi Industrial Co., Ltd.) (Purpose) an exclusive right to 17 issued patents and nine pending patent applications relating to an exogenous tissue processor. Through this agreement, we have a sublicense to three issued U.S. patents and six issued foreign patents owned by Brigham and Women's Hospital, Inc. (BWH) and Purpose that relate to compositions and methods for preparing multi-layered tissue constructs that include a cellular support matrix seeded with living cells derived from a native tissue and tissue culture protocols to promote the in vitro growth of tissues and tissue constructs. We also have an exclusive license to two issued U.S. patents and one pending U.S. patent application for restoration of articular cartilage matrix from the Board of Trustees of The Leland Stanford Junior University. The patents that have issued or may yet issue that have been licensed to us under these agreements will have statutory expiration dates between 2020 and 2030.

We have an exclusive license to a portfolio consisting of four families of issued patents and pending patent applications owned by Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH. This exclusivity is for CT3 for use in combination with intellectual property for the repair of articular cartilage, ligament, meniscus or tendon damage. The patents relate to a method of introducing rapidly gelling biodegradable collagen-PEG hydrogel to the site of injury, methods of inducing meniscal regeneration by introducing a strong adhesive to a site of injury and methods for in situ repair in which the meniscal injury is filled with an adhesive hydrogel complex consisting of methylated PEG and in which the injury is filled with the adhesive hydrogel complex and a collagen matrix. Any patents within this portfolio that have issued or may yet issue will have statutory expiration dates between 2014 and 2019.

We have an exclusive license to a portfolio of three patent families relating to growth factors and high level expression of heterologous proteins owned by Yeda Research and Development Co., Ltd. Any patents within this portfolio that have issued or may yet issue will have statutory expiration dates between 2016 and 2023.

We continually assess and refine our intellectual property strategy in order to fortify our position in our target markets. We cannot ensure that patents will be granted with respect to any of our pending owned or in-licensed patent applications or with respect to any patent applications we may own or license in the future, nor can we be sure that any of our existing owned or in-licensed patents or any patents we may own or license in the future will be useful in protecting our technology. Please see "Risk Factors – Risks Related to Our Intellectual Property" for additional information on the risks associated with our intellectual property strategy and portfolio.

Material Technology License Agreements

Purpose Co., Ltd.

In June 2012, we amended and restated a license agreement with Purpose. Under the amended and restated agreement, Purpose granted us an exclusive, perpetual, paid-up, worldwide and sublicensable license outside of Japan to (1) make, use and sell products or services covered by claims of Purpose's patents and (2) use and create derivative works of Purpose's technology for the design, development, manufacture, testing, support and commercialization of any product or service that incorporates or builds upon Purpose's technology, in each case, only in connection with articular cartilage, ligaments, tendons and meniscus. Under the agreement, we grant Purpose an exclusive, perpetual, paid-up, sublicensable right solely in Japan under our patents and technology relating to the biotechnology and biomaterials of NeoCart and two other products in development to (1) make, use and sell products or services covered by claims of our patents and (2) use and create derivative works of our technology for the design, development, manufacture, testing, support and commercialization of any product or service that incorporates or builds upon our technology in each case, only in connection with articular cartilage, ligaments, tendons and meniscus. Purpose reserves the right to sell its single unit exogenous tissue processor machines to research institutes for general but noncommercial use anywhere in the world.

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We paid Purpose JPY19,572,000 (approximately \$250,000 based on an exchange rate of JPY0.0128/dollar as of September 30, 2012) for costs Purpose incurred in developing a multi-unit exogenous tissue processor machine. As described below, we are obligated to pay royalties and milestone payments due on the Brigham and Women's Hospital, Inc. (BWH)-Purpose license. Our obligation to pay royalties due on the BWH-Purpose license is limited to such royalties measured by our revenue. Upon written notice to Purpose of our intent to stop using the technology in the BWH-Purpose license sublicensed to us, Purpose will reassume all responsibility under the BWH-Purpose license. Concurrent with our entering into the amended and restated license agreement with Purpose, we agreed, in the case of an initial public offering that we or our stockholders that are parties to the second amended and restated stockholders' agreement will issue to Purpose a number of shares equal to 7.8125% of our equity value at the time of the offering, less our costs in connection with such offering, the amount of any of our debt and the amount of the liquidation preference of the Series A Preferred and Series A-1 Preferred shares issued to certain of our stockholders. Based on an assumed initial public offering price of \$ per share, the midpoint of the initial public offering price range on the cover of this prospectus, and our estimated offering expenses, we or our stockholders would be required to issue or transfer shares to Purpose upon the closing of this offering, subject to adjustment. Pursuant to the second amended and restated stockholders' agreement, the number of shares to be issued to Purpose upon an initial public offering will be reallocated from the investors that are parties to that agreement to Purpose rather than issued by us. For more information, see "Certain Relationships and Related Party Transactions—The Series A-1 Financing" and "Principal Stockholders—Footnote 11" below.

Under the amended and restated agreement, Purpose agreed to continue to manufacture and sell single unit exogenous tissue processor machines to us. We are obligated to cooperate with Purpose, at Purpose's expense, in its efforts to commercialize all or any portion of NeoCart and two other products in development in connection with articular cartilage, ligaments, tendons and meniscus and obtain governmental approvals required for the manufacture and sale in Japan of NeoCart and two other products in development. In addition, we are required to supply Purpose with collagen scaffold and CT3.

Purpose exclusively sublicensed to us its rights and obligations under the BWH-Purpose license. Under the Purpose-BWH license agreement, BWH granted Purpose an exclusive, royalty-bearing, worldwide, sublicensable license, under its rights in licensed patents and patent applications co-owned by BWH and Purpose, to make, use and sell (1) apparatuses for cultivating a cell or tissue, (2) tissue or cell products made using such apparatuses, (3) tissue or cell products made using processes for cultivating a cell or tissue as disclosed in the licensed patents and patent applications and (4) any apparatus that cultivates cells or tissues using such processes, in each case, whose manufacture, use, or sale is covered by the claims of the licensed patents and patent applications, only for therapeutic use.

BWH may terminate this agreement if Purpose, itself or through its sublicensees, does not achieve commercial distribution and sale of the licensed products in the United States by December 31, 2015, subject to a one-year extension upon Purpose paying BWH \$10,000.

Pursuant to our sublicense from Purpose, we are obligated to pay royalties and milestone payments and sublicense payments due on the BWH-Purpose license agreement. We have paid minimum royalty amounts of \$160,000 and sublicense payments of \$100,000 through March 31, 2014. Purpose agreed to pay BWH a royalty rate in the low single digits of our net sales of licensed products, subject to a minimum of \$20,000 annually, until the license agreement terminates or until royalty payments no longer have to be made. Purpose is obligated to make one additional sublicense payment of \$25,000 and milestone payments to BWH of (1) \$75,000 upon the first patient treated in Phase 3 clinical trials for each licensed product or licensed process and (2) \$75,000 upon final FDA approval for each licensed product or licensed process.

The agreement remains in effect for the life of the licensed patents, expected to be until October 19, 2028. Purpose may terminate the agreement by providing written notice to BWH at least 60 days in advance. BWH has the right to terminate the agreement if Purpose fails to make minimum royalty payments or other payments or otherwise breaches the agreement and such breach is not cured within 30 days of BWH providing notice to

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Purpose. Upon termination of the BWH-Purpose license agreement, our sublicense will convert to a nonexclusive license to Purpose's interest in the licensed products or processes. Upon written notice to Purpose of our intent to stop using the technology sublicensed to us in the BWH-Purpose license, Purpose will reassume all responsibility under the BWH-Purpose license.

Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH

In May 2005, we entered into a worldwide license agreement with Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH (collectively, Angiotech) for the right, under Angiotech's licensed patents and patent applications and technical information, to make, use and sell any product that includes both our intellectual property and CT3 for the repair of articular cartilage, ligament, meniscus or tendon damage, including related osteochondral defects. The license excludes any product in which one nonliving ingredient is included in CT3 for the primary purpose of producing a physiological, metabolic or biological effect in mammals. The license grant was made exclusive under the fifth amendment to the license agreement that came into effect in August 2010 after we paid \$1.0 million to Angiotech. We have obligations to supply CT3 to Angiotech under certain terms and conditions, and Angiotech is entitled to use any data and results obtained from any clinical studies conducted by us with respect to CT3.

As a license fee, we issued to Angiotech certain warrants to purchase from us shares of common stock, subject to certain anti-dilution protections. These warrants are no longer outstanding. We paid \$1.0 million to Angiotech to make the license grant under the agreement exclusive. In addition, we paid three annual patent fees of \$50,000 each as of March 31, 2014. We are also obligated to pay an additional annual patent fee of \$50,000 and an additional fee of \$3.0 million within 30 days after we receive regulatory approval from the FDA for a licensed product. As further consideration for the license, we also agreed to pay royalties at percentage rates of single digits of net sales of NeoCart and certain other products. We were able to reduce royalties from percentage rates of net sales in the double digits to this rate after making revenue share reduction payments that totaled \$2.0 million.

The agreement terminates on the earlier of May 12, 2035 and expiration of all royalty payment obligations under the agreement. Either party has the right to terminate the agreement if the other party materially breaches the agreement and fails to cure such breach within 30 days from the date of notice of such breach (ten days in the case of non-payment). We may also terminate the agreement by giving at least one year's notice. Angiotech may also terminate the agreement if we or any of our affiliates or sublicensees challenge the validity of Angiotech's patents rights or rights to improvements (or directly or indirectly support any such challenge), or if we are acquired by or merge with a third party that has developed or is marketing, or has an affiliate that has developed or is marketing, a competitive product prior to such acquisition or merger and the resulting or surviving entity post-acquisition or merger fails to either continue to develop or sell licensed product at a level reasonably similar to the development or sale that was occurring prior to the acquisition or merger, during the six-month period following the acquisition or merger. Competitive product means, in a given country, (1) a drug or biologic approved for marketing or in Phase 3 clinical development, (2) a 510(k), or foreign equivalent, device approved for marketing, or (3) an FDA Premarket Approval, or foreign equivalent, device approved for marketing or in pivotal study clinical development, other than a licensed product, that acts (or is being developed to act) for one or more target label indications substantially similar to one or more approved or target label indications for a licensed product.

Koken Co., Ltd.

In March 2013, we entered into a license agreement with Koken Co., Ltd. (Koken) for a non-exclusive, non-transferable and non-sublicensable right to use its know-how related to the process for manufacturing atelocollagen honeycomb sponge materials, which we use in our scaffolds. Pursuant to the agreement, we paid Koken a fee in March 2013 for such right. Koken may terminate this agreement if we fail to perform any obligation under the agreement and such failure remains uncured for more than 30 days, if we become insolvent, bankrupt, go into liquidation or receivership, or if we file for bankruptcy or a petition in bankruptcy is filed against us.

The Board of Trustees of The Leland Stanford Junior University

In April 2001, we entered into a license agreement with The Board of Trustees of The Leland Stanford Junior University (Stanford) for patent rights relating to the restoration of articular cartilage scaffold. Our agreement with Stanford provides us with a worldwide license to make and sell products covered by claims of the licensed patents for growth, ontogenesis, and regeneration of cartilaginous tissues and collagen. Under the agreement, Stanford agreed not to grant further licenses to such rights in such field.

We paid Stanford \$30,000 upon execution of the agreement and, as of March 31, 2014, \$375,000 as reimbursement for patent-related costs incurred by Stanford. We are required to pay Stanford a yearly royalty fee of \$10,000, which is creditable against earned royalty payments due on net sales of that year. We have paid \$120,000 in yearly royalty fees through March 31, 2014. Stanford is also entitled to a low single digit percentage rate of our net sales in royalties. We paid Stanford milestone payments of \$35,000 upon issuance of the first licensed patent and \$50,000 upon initiation of Phase 1 clinical trials of the licensed product in the first field that requires separate regulatory authority clinical approval. We have paid Stanford a milestone payment of \$50,000 upon initiation of Phase 1 clinical trials of the licensed product in other fields that requires separate regulatory authority clinical approval, and are obligated to pay an additional milestone payment of \$300,000 upon FDA marketing approval of the first licensed product.

The agreement terminates on the date that the last of the licensed patents expire, expected to be January 25, 2021. We may terminate the agreement by giving Stanford notice in writing at least 30 days in advance of the date of termination. Stanford has the right to terminate the agreement if we are in default in payment of royalty or providing of reports, if we are in breach of any other provisions of the agreement, or if we provide a false report to Stanford, and in each case, we fail to remedy such default, breach or false report within 30 days after written notice thereof. We are obligated to have licensed products relating to growth, ontogenesis and regeneration of cartilaginous tissue available for commercial sale by December 31, 2015. If we fail to fulfill such obligation, Stanford may terminate our rights with respect to the applicable part of the field of use. Stanford may also terminate the agreement if we or our sublicensees have not sold licensed products for a continuous period of one year after the first commercial sale of licensed products.

Yeda Research and Development Co., Ltd.

In January 2008, we entered into an exclusive license agreement with Yeda Research and Development Co., Ltd. (Yeda) for rights relating to high level expression of heterologous proteins and plasmid p80 BS, which rights are jointly owned by Yeda and us. Under our agreement, Yeda granted us an exclusive worldwide license under its rights for the manufacture, use and sale of heterologous proteins and plasmid p80 BS.

We are required to pay Yeda a yearly license fee of \$2,000 for the life of the license, which is creditable against royalties payable by us to Yeda during the one-year period in respect of which such fee was paid. Yeda is entitled a royalty fee of a low single digit percentage rate of our net sales of the licensed products, a low single digit percentage rate of our net sales for combination products (meaning the combination of the licensed product with at least one other active ingredient, material or medical device that would have a clinical effect if administered independently) and a low double digit percentage rate of all of our sublicensing receipts.

The agreement terminates on a country-by-country, licensed product-by-licensed product basis on the later of (a) the date of expiration in such country of the last licensed patent covering the applicable licensed product and (b) ten years from the date of the first commercial sale of the first licensed product in that country, or, if there have not been any sales in such country, ten years from the date of the first commercial sale of the licensed product worldwide. Either party may terminate the agreement by written notice if there is an incurable material breach or a material breach that is not cured within 30 days (14 days in the case of non-payment).

Advanced BioMatrix, Inc.

In April 2014, we entered into an agreement with Advanced BioMatrix, Inc. (ABM) for a nonexclusive, nontransferable (except as expressly provided in the agreement), non-sublicensable (except as provided in the

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agreement), perpetual, irrevocable, worldwide, royalty-free right and license to use its technology related to certain collagen solutions and to make, use, sell and otherwise exploit collagen solutions produced using such technology, solely for the development and commercialization, including generation, implantation and use, of engineered tissue and biomaterials in the field of orthopedics. Pursuant to the agreement, we paid a fee in April 2014 and will pay additional fees plus reimburse ABM for mutually agreed upon expenses for such rights and services to be performed by ABM for us in connection with such technology. This agreement will remain in effect until we or ABM provides written notice to terminate the agreement. Either party may terminate the agreement if the other party materially breaches any material term of the agreement and fails to cure such breach within 45 days after receiving notice of such breach.

Competition

The regenerative medicine industry is characterized by innovative science, rapidly advancing technologies and a strong emphasis on proprietary products. While we believe that our technology, development experience, scientific knowledge and intellectual property portfolio provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical, biotechnology and regenerative medicine companies, academic institutions, governmental agencies and public and private research institutions.

The competitive landscape in the field of articular cartilage repair is emerging and has stimulated a substantial amount of interest from companies developing tissue repair solutions. Companies have employed a variety of approaches to meet the goals of cartilage repair. The approaches, which represent the scientific evolution of the field, can be generally categorized in five ways: (1) non-cell-based, such as ArthroSurface's HemiCAP; (2) uncultured cell-based (with or without scaffold), such as Zimmer's DeNovo NT, Arthro's BioCartilage and Osiris' Cartiform; (3) cultured cell-based (without scaffold), such as Genzyme's Carticel and ISTO's RevaFlex; (4) cultured cell- and scaffold-based, such as Sanofi's MACI and the Aesculap division of B. Braun Medical's NovoCart 3D; and (5) cultured cell- and scaffold-based incorporating tissue engineering, such as NeoCart.

For knee cartilage repair and regeneration, the market is large and growing, driven by more knee injuries in an ever-increasingly active population. Worldwide, many products are commercially available, but the majority of these products are currently only available in the EEA, with Carticel, whose label restricts it for use in salvage cases, being the only cartilage repair product to gain U.S. approval through a regulated path to market. RevaFlex and NovoCart 3D are in U.S. clinical development, but their early clinical data has not been published in highly regarded peer-reviewed journals. Although minimally-modified cells such as DeNovo NT and acellular cartilage matrix products such as Cartiform and Arthro's BioCartilage and are available in the United States, their path to market did not require a rigorous regulatory path and their clinical data to date has been sparse and commercial uptake limited. Product-less procedures such as debridement and microfracture continue to dominate the U.S. market.

Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future. Our competitors may have substantially greater financial, technical and human resources that could put them at an advantage in the development of safe and efficacious products and may help them obtain regulatory approval for their products more rapidly, as well as achieve more widespread market acceptance. We believe, however, the competitive benefits of NeoCart will allow us to position NeoCart effectively as a strong contender in the tissue repair market.

Outside the United States, many procedures and products for cartilage repair are available. However, we anticipate that many of these are unlikely to seek approval in the United States because of the rigorous and lengthy regulatory path a sponsor must pursue in order to access the market and the high-quality superiority data that must be produced. Additionally, other than the few currently approved U.S. products, to our knowledge no other known European cartilage product to date has any clinical experience or data in U.S. patients.

Government Regulation

Regulatory Background on Autologous Cellular Products

The FDA does not apply a single regulatory scheme to human tissues and the products derived from human tissue. On a product-by-product basis, the FDA may regulate such products as drugs, biologics, or medical devices, in addition to regulating them as human cells, tissues, or cellular or tissue-based products (HCT/Ps), depending on whether or not the particular product triggers any of an enumerated list of regulatory factors. A fundamental difference in the treatment of products under these classifications is that the FDA generally permits HCT/Ps that do not trigger any of those regulatory factors to be commercially distributed without marketing approval. In contrast, products that trigger those factors, such as if they are more than minimally manipulated when processed or manufactured, are regulated as drugs, biologics, or medical devices and require FDA approval. The FDA has designated NeoCart as a biologic under the jurisdiction of the Center for Biologics Evaluation and Research and market access or approval will require BLA approval.

In 1997, the FDA began requiring BLA filing for autologous cellular products and approved the already-marketed Carticel contingent on further clinical trials. In 2000, Carticel's indication narrowed to second-line therapy for patients with inadequate response to prior treatment. The FDA now requires evidence of clinical efficacy against approved endpoints and standard of care control arm as outlined in their final guidance on the subject of cartilage repair.

The grant of marketing authorization in the EEA for products containing viable human tissues or cells such as NeoCart is governed by Regulation 1394/2007/EC on advanced therapy medicinal products, read in combination with Directive 2001/83/EC of the European Parliament and of the Council, commonly known as the Community code on medicinal products. Regulation 1394/2007/EC lays down specific rules concerning the authorization, supervision and pharmacovigilance of gene therapy medicinal products, somatic cell therapy medicinal products and tissue engineered products. Manufacturers of advanced therapy medicinal products must demonstrate the quality, safety and efficacy of their products to the European Medicines Agency (EMA), which is required to provide an opinion regarding the application for marketing authorization. The European Commission grants or refuses marketing authorization in light of the opinion delivered by the EMA.

Applicants for marketing authorization for medicinal products in the EEA are required to submit applications for marketing authorization based on the ICH Common Technical Document and must demonstrate the safety, quality and efficacy of the medicinal product for which the marketing authorization is sought. The application must include the results of pre-clinical tests and clinical trials conducted with the medicinal product. The conduct of clinical trials in the EEA is governed by Directive 2001/20/EC which imposes obligations and procedures that are similar to those provided in applicable U.S. laws. The obligations provided in the European Union (EU) Good Clinical Practice rules and EU Good Laboratory Practice must also be respected during conduct of the trials. Clinical trials must be approved by the competent regulatory authorities and the competent Ethics Committees in the EU Member States in which the clinical trials take place. Moreover, applicants are required to demonstrate that studies have been conducted with the medicinal product in the pediatric population as provided by a Pediatric Investigation Plan approved by the Pediatric Committee of the EMA. Alternatively, confirmation that the applicant has obtained a waiver or deferral for the conduct of these studies must be provided.

Anticipated FDA Regulatory and Approval Process for NeoCart

We anticipate NeoCart, if approved, to be the first autologous cell- and scaffold-based product in the U.S. market to have been studied in a randomized controlled trial with a rigorous responder analysis under an approved SPA.

The FDA approved the NeoCart Phase 3 study design under the SPA process and concluded that the trial “design and planned analyses ... sufficiently address the studies’ objectives ... these studies are adequately designed to provide the necessary data that ... could support a license application submission.” We anticipate the SPA to be binding on the FDA review division, with limited exceptions provided by FDA guidance, such as the FDA “determines that a substantial issue essential to determining the safety or efficacy of the [product] has been identified after the testing has begun,” or if we fail to follow the agreed-upon protocol.

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Reimbursement

In both domestic and foreign markets, sales of any regulatory-approved products depend in part upon the availability of reimbursement from third-party payors. Third-party payors include government health programs, such as Medicare and Medicaid, private health insurers and managed care providers, and other organizations. Reimbursement policy involves coding, coverage and payment decisions and our business strategy is to produce the necessary information for optimal decision-making by payors.

Coding: While reimbursement policy for NeoCart is uncertain at this point, we believe that the existing Current Procedural Terminology, Healthcare Commission Procedure Coding System and International Classification of Diseases, Ninth Edition coding options for ACI are sufficiently broad that they could apply to NeoCart.

Coverage: Our goal is to demonstrate improved health outcomes (e.g., improved patient outcomes and quality of life on several parameters, lower total costs including lower overall utilization of healthcare services and faster return to work) for patients receiving NeoCart compared to microfracture, an important element in securing coverage decisions by payors (Medicare and private payors).

Payment: Analysis of recent trends in ACI coverage (discharge data) suggest that patients between 18 and 64 years of age constitute the majority of the market for ACI, resulting in a market dominated by private payors. Only 10% to 20% of ACI patients are estimated to be 65 years of age and older. While limited data is available for private payor reimbursement of ACI, these payors typically reimburse inpatient procedures with bundling mechanisms similar to Medicare Severity Diagnosis Related Groups. In addition, some private payors also tend to use Medicare rates as benchmarks when setting their own fee schedules. We plan to provide objective clinical data, patient-reported quality of life data and health economic data demonstrating NeoCart's value to assist in optimizing payment decisions for NeoCart.

Government Regulation Overview

United States

Overview

In the United States, the FDA regulates biological products under the Federal Food, Drug, and Cosmetic Act and the Public Health Service Act and related regulations. Biological products are also subject to other federal, state, local, and foreign statutes and regulations. The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the clinical development, manufacture and marketing of biological products. These agencies and other federal, state, local, and foreign entities regulate research and development activities and the testing, manufacture, quality control, safety, effectiveness, packaging, labeling, storage, distribution, record keeping, reporting, approval, advertising and promotion of our products. Failure to comply with the applicable U.S. regulatory requirements at any time during the product development process, including clinical testing, approval process or after approval may subject an applicant to administrative or judicial sanctions.

Government regulation may delay or prevent marketing of product candidates for a considerable period of time and impose costly procedures upon our activities. The testing and approval process requires substantial time, effort, and financial resources, and we cannot be certain that the FDA or any other regulatory agency will grant approvals for NeoCart or any future product candidates on a timely basis, if at all. The FDA's policies may change and additional government regulations may be enacted that could prevent or delay regulatory approval of NeoCart or any future product candidates or approval of new disease indications or label changes. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative, judicial, or administrative action, either in the United States or abroad.

Marketing Approval

The process required by the FDA before biological products may be marketed in the United States generally involves the following:

- completion of nonclinical laboratory and animal tests according to good laboratory practices, and applicable requirements for the humane use of laboratory animals or other applicable regulations;
- submission to the FDA of an IND application which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials according to the FDA's regulations commonly referred to as good clinical practices (GCP), and any additional requirements for the protection of human research patients and their health information, to establish the safety and efficacy of the proposed biological product for its intended use or uses;
- submission to the FDA of a BLA for marketing approval that includes substantive evidence of safety, purity, and potency from results of nonclinical testing and clinical trials;
- satisfactory completion of an FDA pre-approval inspection of manufacturing facilities where the biological product is produced to assess compliance with good manufacturing practices (GMP) to assure that the facilities, methods and controls are adequate to preserve the biological product's identity, strength, quality and purity and, if applicable, the FDA's current good tissue practices (GTP) for the use of human cellular and tissue products to prevent the introduction, transmission or spread of communicable diseases;
- potential FDA audit of the nonclinical study sites and clinical trial sites that generated the data in support of the BLA; and
- FDA review and approval, or licensure, of the BLA, which must occur before a biological product can be marketed or sold.

U.S. Biological Products Development Process

Before testing any biological product candidate in humans, the product candidate enters the nonclinical testing stage. Nonclinical tests include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies to assess the potential safety and activity of the product candidate. The conduct of the nonclinical tests must comply with federal regulations and requirements including good laboratory practices.

Prior to commencing the first clinical trial, the clinical trial sponsor must submit the results of the nonclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of an initial IND application. Some nonclinical testing may continue even after the IND application is submitted. The IND application automatically becomes effective 30 days after receipt by the FDA unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the clinical trial and places the clinical trial on a clinical hold. In such case, the IND application sponsor must resolve any outstanding concerns with the FDA before the clinical trial may begin. Further, an IRB for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences at that site. An IRB is charged with protecting the welfare and rights of study subjects and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. The FDA or IRB may impose clinical holds on a biological product candidate at any time before or during clinical trials due to safety concerns or non-compliance. If the FDA imposes a clinical hold, trials may not recommence without FDA or IRB authorization and then only under terms authorized by the FDA and IRB. Accordingly, we cannot be sure that submission of an IND application will result in the FDA allowing clinical trials to begin or that, once begun, issues will not arise that will result in the suspension or termination of such trials.

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Clinical trials involve the administration of the biological product candidate to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety, including stopping rules that assure a clinical trial will be stopped if certain adverse events should occur. Each protocol and any amendments to the protocol must be submitted to the FDA as part of the IND application and to the IRB.

For purposes of BLA approval, human clinical trials are typically conducted in three sequential phases that may overlap:

- Phase 1—The biological product is initially introduced into healthy human patients and tested for safety. In the case of some products for severe or life-threatening diseases, especially when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is conducted in patients. These trials may also provide early evidence on effectiveness.
- Phase 2—These trials are conducted in a limited number of patients in the target population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage. Multiple Phase 2 clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more expensive Phase 3 clinical trials.
- Phase 3—Phase 3 trials are undertaken to provide statistically significant evidence of clinical efficacy and to further evaluate dosage, potency and safety in an expanded patient population at multiple clinical trial sites. They are performed after preliminary evidence suggesting effectiveness of the product has been obtained, and are intended to establish the overall benefit-risk relationship of the investigational product and to provide an adequate basis for product approval and labeling.

Post-approval clinical trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These trials may be required by the FDA as a condition of approval and are used to gain additional experience from the treatment of patients in the intended therapeutic indication, particularly for long-term safety follow-up. The FDA now has express statutory authority to require post-market clinical trials to address safety issues. All of these trials must be conducted in accordance with GCP requirements in order for the data to be considered reliable for regulatory purposes.

During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data and clinical trial investigators. Annual progress reports detailing the results of the clinical trials must be submitted to the FDA. Written IND safety reports must be promptly submitted to the FDA and the investigators for serious and unexpected adverse events; any findings from other studies, tests in laboratory animals or in vitro testing that suggest a significant risk for human patients; or any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. The sponsor must submit an IND safety report within 15 calendar days after the sponsor determines that the information qualifies for reporting. The sponsor also must notify the FDA of any unexpected fatal or life-threatening suspected adverse reaction within seven calendar days after the sponsor's initial receipt of the information.

Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, if at all. Regulatory authorities, a data safety monitoring board or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the participants are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the biological product has been associated with unexpected serious harm to patients.

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Our ongoing and planned clinical trials for our product candidates may not begin or be completed on schedule, if at all. Clinical trials can be delayed for a variety of reasons, including delays in:

- obtaining regulatory approval to commence a trial;
- reaching agreement with third-party clinical trial sites and their subsequent performance in conducting accurate and reliable trials on a timely basis;
- obtaining IRB approval to conduct a trial at a prospective site;
- recruiting patients to participate in a trial; and
- supply of the biological product.

Typically, if a biological product is intended to treat a chronic disease, as is the case with NeoCart, safety and efficacy data must be gathered over an extended period of time, which can range from six months to three years or more. Success in early stage clinical trials does not ensure success in later stage clinical trials. Data obtained from clinical activities is not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the physical characteristics of the biological product as well as finalize a process for manufacturing the product in commercial quantities in accordance with GMP requirements. To help reduce the risk of the introduction of adventitious agents with the use of biological products, the Public Health Service Act emphasizes the importance of manufacturing control for products whose attributes cannot be precisely defined. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the sponsor must develop methods for testing the identity, strength, quality, potency and purity of the final biological product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the biological product candidate does not undergo unacceptable deterioration over its shelf life.

U.S. Review and Approval Processes

In order to obtain approval to market a biological product in the United States, a BLA must be submitted to the FDA that provides data establishing to the FDA's satisfaction the safety, purity and potency of the investigational biological product for the proposed indication. The application includes all data available from nonclinical studies and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product's manufacture and composition, and proposed labeling, among other things. The testing and approval processes require substantial time and effort, and there can be no assurance that the FDA will accept the BLA for filing and, even if filed, that any approval will be granted on a timely basis, if at all.

Under the Prescription Drug User Fee Act (PDUFA), each BLA must be accompanied by a user fee. The FDA adjusts the PDUFA user fees on an annual basis. According to the FDA's fee schedule, effective beginning on October 1, 2013 and in effect through September 30, 2014, the user fee for an application requiring clinical data, such as a BLA, will be \$2.2 million for 2014. PDUFA also imposes an annual product fee for biologics (\$104,060 for 2014), and an annual establishment fee (\$554,600 for 2014) on facilities used to manufacture prescription biologics. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on BLAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

The FDA has 60 days from its receipt of a BLA to determine whether the application will be accepted for filing based on the FDA's threshold determination that the application is sufficiently complete to permit substantive review. The FDA may refuse to file any BLA that it deems incomplete or not properly reviewable at the time of submission and may request additional information. In this event, the BLA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. After the BLA submission is accepted for filing, the FDA reviews the BLA to determine, among other things, whether the proposed product is safe and potent, or effective, for its intended use, and has an acceptable purity

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profile, and whether the product is being manufactured in accordance with GMPs to assure and preserve the product's identity, safety, strength, quality, potency, and purity, and biological product standards. The FDA may refer applications for novel biological products or biological products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and, if so, under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

Before approving a BLA, the FDA will inspect the facilities at which the product is manufactured. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with GMP requirements and adequate to assure consistent production of the product within required specifications. For a human cellular or tissue product, the FDA also will not approve the product if the manufacturer is not in compliance with the GTP. These are FDA regulations that govern the methods used in, and the facilities and controls used for, the manufacture of HCT/Ps, which are human cells or tissue intended for implantation, transplant, infusion, or transfer into a human recipient. The primary intent of the GTP requirements is to ensure that cell and tissue based products are manufactured in a manner designed to prevent the introduction, transmission and spread of communicable disease. FDA regulations also require tissue establishments to register and list their HCT/Ps with the FDA and, when applicable, to evaluate donors through screening and testing. Additionally, before approving a BLA, the FDA may inspect one or more clinical sites to assure that the clinical trials were conducted in compliance with IND application study requirements and GCP. To assure GMP, GTP and GCP compliance, an applicant must incur significant expenditure of time, money and effort. If the FDA determines the manufacturing process or manufacturing facilities are not acceptable, it typically will outline the deficiencies and often will require the facility to take corrective action and provide documentation evidencing the implementation of such corrective action. This may significantly delay further review of the application. If the FDA finds that a clinical site did not conduct the clinical trial in accordance with GCP, the FDA may determine the data generated by the clinical site should be excluded from the primary efficacy analyses provided in the BLA and request additional testing or data. Additionally, notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

The FDA also has authority to require a Risk Evaluation and Mitigation Strategy (REMS) from manufacturers to ensure that the benefits of a biological product outweigh its risks. A sponsor may also voluntarily propose a REMS as part of the BLA submission. The need for a REMS is determined as part of the review of the BLA. Based on statutory standards, elements of a REMS may include "dear doctor letters," a medication guide, more elaborate targeted educational programs, and in some cases restrictions on distribution. These elements are negotiated as part of the BLA approval, and in some cases may delay the approval date. Once adopted, REMS are subject to periodic assessment and modification.

After the FDA completes its initial review of a BLA, it will communicate to the sponsor that the biological product will either be approved, or it will issue a complete response letter to communicate that the BLA will not be approved in its current form. The complete response letter usually describes all of the specific deficiencies in the BLA identified by the FDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the applicant in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application.

The FDA may not grant approval on a timely basis, or at all. We may encounter difficulties or unanticipated costs in our efforts to secure necessary governmental approvals, which could delay or preclude us from marketing our products. The testing and approval process for a biological product usually takes several years to complete.

One of the performance goals agreed to by the FDA under PDUFA is to review 90% of standard BLAs within ten months of the 60-day filing date and 90% of priority BLAs within six months of the 60-day filing date,

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whereupon a review decision is to be made. The FDA does not always meet its PDUFA goal dates for standard and priority BLAs and its review goals are subject to change from time to time. The review process and the PDUFA goal data may be extended by three months if the FDA requests or the BLA applicant otherwise provides additional information or clarification regarding information already provided in the submission within the last three months before the PDUFA goal date.

Even if a product candidate receives regulatory approval, the approval may be limited to specific disease states, patient populations and dosages, or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings, or precautions be included in the product labeling. The FDA may impose restrictions and conditions on product distribution, prescribing or dispensing in the form of a risk management plan, or otherwise limit the scope of any approval. In addition, the FDA may require Phase 4 post-marketing clinical trials, designed to further assess a biological product's safety and effectiveness, and testing and surveillance programs to monitor the safety of approved products that have been commercialized. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in the imposition of new restrictions on the product or even complete withdrawal of the product from the market. Delay in obtaining, or failure to obtain and maintain, regulatory approval for NeoCart, or obtaining approval but for significantly limited use, would harm our business.

FDA Post-Approval Requirements

Maintaining substantial compliance with applicable federal, state, local and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Rigorous and extensive FDA regulation of biological products continues after approval, particularly with respect to GMP. We may rely, in the future, on third parties for the production of clinical and commercial quantities of any future products that we may commercialize. Manufacturers of our products are required to comply with applicable requirements in the GMP regulations, including quality control and quality assurance and maintenance of records and documentation. We cannot be certain that we or our present or future suppliers will be able to comply with the GMP and other FDA regulatory requirements. Other post-approval requirements applicable to biological products include reporting of GMP deviations that may affect the identity, potency, purity and overall safety of a distributed product, record-keeping requirements, reporting of adverse effects, reporting updated safety and efficacy information and complying with electronic record and signature requirements. After a BLA is approved, the product also may be subject to official lot release. As part of the manufacturing process, the manufacturer is required to perform certain tests on each lot of the product before it is released for distribution. If the product is subject to official release by the FDA, the manufacturer submits samples of each lot of product to the FDA together with a release protocol showing a summary of the history of manufacture of the lot and the results of all of the manufacturer's tests performed on the lot. The FDA also may perform certain confirmatory tests on lots of some products, such as viral vaccines, before releasing the lots for distribution by the manufacturer. In addition, the FDA conducts laboratory research related to the regulatory standards on the safety, purity, potency and effectiveness of biological products.

Discovery of previously unknown problems or the failure to comply with the applicable regulatory requirements, by us or our suppliers, may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible civil or criminal sanctions and adverse publicity. FDA sanctions could include refusal to approve pending applications, suspension or revocation of an approval, clinical hold, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, mandated corrective advertising or communications with doctors, debarment, restitution, disgorgement of profits or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on us.

Biological product manufacturers and other entities involved in the manufacture and distribution of approved biological products are required to register their facilities with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with GMPs and other laws. In addition, changes to the manufacturing process or facility generally require prior FDA approval before

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being implemented and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

Labeling, Marketing and Promotion

The FDA closely regulates the labeling, marketing and promotion of biological products, including direct-to-consumer advertising, promotional activities involving the internet, and industry-sponsored scientific and educational activities. While doctors are free to prescribe any product approved by the FDA for any use, a company can only make claims relating to safety and efficacy of a biological product that are consistent with FDA approval, and the company is allowed to market a biological product only for the particular use and treatment approved by the FDA. In addition, any claims we make for our products in advertising or promotion must be appropriately balanced with important safety and risk information and otherwise be adequately substantiated. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising, injunctions, seizures, potential civil and criminal penalties and exclusion from government healthcare programs.

Anti-Kickback and False Claims Laws

In the United States, the research, manufacture, distribution, sale and promotion of biological products are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare & Medicaid Services, other divisions of the U.S. Department of Health and Human Services (for example, the Office of Inspector General), the U.S. Department of Justice, state Attorneys General, and other federal, state and local government agencies. For example, sales, marketing and scientific/educational grant programs must comply with the Anti-Kickback Statute, the False Claims Act, the privacy regulations promulgated under the Health Insurance Portability and Accountability Act and similar state laws. Pricing and rebate programs must comply with the Medicaid Drug Rebate Program requirements of the Omnibus Budget Reconciliation Act, and the Veterans Health Care Act. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

As noted above, in the United States, we are subject to complex laws and regulations pertaining to healthcare “fraud and abuse,” including the Anti-Kickback Statute, the False Claims Act and other state and federal laws and regulations. The Anti-Kickback Statute makes it illegal for any person, including a biological product manufacturer (or a party acting on its behalf), to knowingly and willfully solicit, receive, offer, or pay any remuneration that is intended to induce the referral of business, including the purchase or order of an item for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. Violations of this law are punishable by up to five years in prison, criminal fines, administrative civil money penalties and exclusion from participation in federal healthcare programs. In addition, many states have adopted laws similar to the Anti-Kickback Statute. Some of these state prohibitions apply to the referral of patients for healthcare services reimbursed by any insurer, not just federal healthcare programs such as Medicare and Medicaid. Due to the breadth of these federal and state anti-kickback laws and the potential for additional legal or regulatory change in this area, it is possible that our future sales and marketing practices or our future relationships with physicians might be challenged under anti-kickback laws, which could harm us. Because we intend to commercialize products that could be reimbursed under a federal healthcare program and other governmental healthcare programs, we plan to develop a comprehensive compliance program that establishes internal controls to facilitate adherence to the rules and program requirements to which we will or may become subject.

The False Claims Act prohibits anyone from, among other things, knowingly presenting, or causing to be presented, for payment to federal programs (including Medicare and Medicaid) claims for items or services, including biological products, that are false or fraudulent. Although we likely would not submit claims directly to payers, manufacturers can be held liable under these laws if they are deemed to “cause” the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers or promoting a product off-label. In addition, our future activities relating to the reporting of wholesaler or estimated retail prices for our products, the reporting of prices used to calculate Medicaid rebate information and

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other information affecting federal, state and third-party coverage and reimbursement for our products and the sale and marketing of our products, are subject to scrutiny under this law. For example, pharmaceutical companies have been prosecuted under the False Claims Act in connection with their off-label promotion of drugs. Penalties for a False Claims Act violation include three times the actual damages sustained by the government, plus mandatory civil penalties of between \$5,500 and \$11,000 for each separate false claim, the potential for exclusion from participation in federal healthcare programs, and, although the federal False Claims Act is a civil statute, conduct that results in a False Claims Act violation may also implicate various federal criminal statutes. If the government were to allege that we were, or convict us of, violating these false claims laws, we could be subject to a substantial fine and may suffer a decline in our stock price. In addition, private individuals have the ability to bring actions under the False Claims Act and certain states have enacted laws modeled after the False Claims Act.

There are also an increasing number of state laws that require manufacturers to make reports to states on pricing and marketing information. Many of these laws contain ambiguities as to what is required to comply with the laws. In addition, beginning in August 2013, a similar federal requirement requires manufacturers to track and report to the federal government certain payments made to physicians and teaching hospitals made in the previous calendar year. These laws may affect our sales, marketing, and other promotional activities by imposing administrative and compliance burdens on us. In addition, given the lack of clarity with respect to these laws and their implementation, our reporting actions could be subject to the penalty provisions of the pertinent state, and soon federal, authorities.

Other Regulations

We are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with such laws and regulations now or in the future.

EU and EEA

Marketing authorization in the EU for products containing viable human tissues or cells such as NeoCart is governed by Regulation 1394/2007/EC on advanced therapy medicinal products, read in combination with Directive 2001/83/EC of the European parliament and of the Council, commonly known as the Community code on medicinal products. Regulation 1394/2007/EC establishes specific rules concerning the authorization, supervision and pharmacovigilance of gene therapy medicinal products, somatic cell therapy medicinal products and tissue engineered products. Manufacturers of advanced therapy medicinal products must demonstrate the quality, safety and efficacy of their products to the EMA which is required to provide an opinion regarding the application for marketing authorization. The European Commission grants or refuses marketing authorization in light of the opinion delivered by the EMA.

Applicants for marketing authorizations for medicinal products in the EEA are required to submit applications for marketing authorization in a form that is based on the ICH Common Technical Document, and must demonstrate the safety, quality and efficacy of the medicinal product for which the marketing authorization is sought. The application must include the results of pre-clinical tests and clinical trials conducted with the medicinal product.

The conduct of clinical trials in the EEA is governed by Directive 2001/20/EC which imposes obligations and procedures that are similar to those provided in applicable U.S. laws. The EU Good Clinical Practice rules and EU Good Laboratory Practice obligations must also be respected during conduct of the trials. Clinical trials must be approved by the competent regulatory authorities and the competent Ethics Committees in the EU Member States in which the clinical trials take place.

Moreover, applicants are required to provide evidence that studies have been conducted with the medicinal product in the pediatric population as provided by a Pediatric Investigation Plan approved by the Pediatric Committee of the EMA. Alternatively, confirmation that the applicant has obtained a waiver or deferral for the conduct of these studies must be provided.

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Cell-based products must also comply with Directive 2004/23/EC of the European Parliament and of the Council of March 31, 2004 on setting standards of quality and safety for the donation, procurement, testing, processing, preservation, storage and distribution of human tissues and cells (Tissues and Cells Directive). This Directive describes the conditions and quality requirements which must be applied when sourcing the cells intended for manufacturing of the cell-based medicinal product. The EU Member States have transposed the Tissues and Cells Directive into their national laws.

Locally different interpretations of the Tissue and Cells Directive have occurred during adoption of the national legal implementations by individual EU Member States. This has led to some inconsistency of approach leading to additional complexity in complying with the all-over requirements in this already difficult regulatory field.

Given the specific nature of cell-based products, the clinical development paths are less standardized than for classic pharmaceutical or biological products. Phase 1 studies are often not relevant, in particular for autologous cell-based products, since cells often need to be directly implanted into a tissue defect only present in patients. As cellular therapy Phase 3 studies are very complex to organize, often limited numbers of patients can be enrolled and follow up times can be very long, so that the design and execution of these large confirmatory trials might not always be possible to the classical extent. Upfront discussions and agreement with the regulatory authorities are an important criterion to success. It is also expected that new regulatory guidance will become available in the near future, more clearly describing the regulatory expectations.

Facilities

Our corporate headquarters are currently located in Waltham, Massachusetts, for which we have a lease until December 2017, renewable for two additional five-year terms. We lease approximately 25,472 square feet of office, manufacturing and laboratory space, including 5,700 square feet of cGMP clean room space that is outfitted for NeoCart manufacturing. This facility also houses our quality staff, including quality control testing, necessary to support NeoCart manufacturing. We have subleased approximately 7,310 square feet of our facility to a tenant through March 2015, at which time this space will be returned for our use. The Waltham facility is expected to be adequate for a potential initial commercial launch of NeoCart in 2017.

Additionally, we are in the process of leasing office and laboratory space in the Waltham, Massachusetts area. We anticipate that this facility will include clean room space that is utilized for production of our CT3 adhesive components, our collagen scaffold and the collagen raw material used to produce the scaffold and components of the CT3 adhesive. We also anticipate that this facility will include necessary space for quality operations, including necessary quality control testing.

Employees

As of May 1, 2014, we employed 33 full-time employees, including two in research and development, five in clinical development, two in regulatory, 20 in manufacturing and quality control and assurance, and four in executive, general and administrative. We also employed two part-time employees, including one in clinical development and one in executive, general and administrative. We have never had a work stoppage, and none of our employees is represented by a labor organization or under any collective bargaining arrangements.

Legal Proceedings

We are not a party to any material legal proceedings at this time. From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this prospectus, we do not believe we are party to any claim or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

MANAGEMENT

Executive Officers, Key Employees and Directors

Our executive officers, key employees, directors and their ages and positions as of May 15, 2014, are set forth below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
<i>Executive officers:</i>		
Adam Gridley ⁽¹⁾	41	Chief Executive Officer, President and Director
Kevin McArdle	42	Chief Financial Officer
Nancy Lynch, M.D.	49	Chief Medical Officer
Stephen Kennedy	57	Senior Vice President of Manufacturing, Operations and Supply Chain
<i>Other key employees:</i>		
Laura Mondano	52	Vice President of Regulatory and Quality
<i>Non-employee directors:</i>		
Joshua Baltzell ⁽²⁾⁽³⁾	44	Director
John H. Johnson ⁽²⁾⁽⁴⁾	56	Director
Garheng Kong, M.D., Ph.D. ⁽³⁾	38	Director, Chairman of the Board
Michael Lewis ⁽³⁾	55	Director
Kevin Rakin ⁽³⁾⁽⁴⁾	53	Director

⁽¹⁾ Mr. Gridley was appointed as our chief executive officer, president and a director and began employment with us in May 2014.

⁽²⁾ Member of Compensation Committee.

⁽³⁾ Member of Nominating and Corporate Governance Committee.

⁽⁴⁾ Member of Audit Committee.

Each executive officer serves at the discretion of our board of directors and holds office until his successor is duly elected and qualified or until his earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

Executive Officers

Adam Gridley has served as our Chief Executive Officer and President since May 2014. Mr. Gridley previously served from October 2012 until May 2014 as Senior Vice President of Technical Operations at Merz North America, Inc., the North American business unit of Merz, Inc., a privately-held pharmaceuticals company. From September 2011 to October 2012, he was Senior Vice President, Operations & Product Development responsible for global research and development and manufacturing for Merz Aesthetics, Inc., a global business unit of Merz, Inc., and from July 2010 to September 2011, Mr. Gridley held the position of Senior Vice President, Product Development at Merz. From September 2008 to July 2010, Mr. Gridley was Senior Vice President, Corporate Development for BioForm Medical, Inc., a publicly-traded company acquired by Merz, Inc. From 2005 to 2008 Mr. Gridley held the position of Vice President, Corporate Development for BioForm Medical, Inc., and from 2003 to 2005, he held various marketing and corporate development positions. From 1996 to 2003, Mr. Gridley held a variety of financial, strategic planning, investor relations and business development roles of increasing responsibility at Gliatech, Inc., a public medical device and biotechnology company. From 1990 to 1996, Mr. Gridley was General Manager of Pintail Systems, Inc., a start-up environmental bioremediation firm. Mr. Gridley holds a B.S. and an M.B.A from the University of Denver. We believe that Mr. Gridley's qualifications to serve as a director of our company include his extensive experience as an executive in the biotechnology industry and his prior service as a senior-level executive in both early stage and mature biotechnology companies.

Kevin McArdle has served as our Chief Financial Officer since May 2011. From January 2009 to May 2011, Mr. McArdle was the Chief Financial Officer of ProChon Biotech Ltd., an Israeli-based company focused on the

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treatment of cartilage defects that we acquired in May 2011. Mr. McArdle was contract Chief Financial Officer for two life science companies, Avedro, Inc. and INVO Bioscience, Inc., from January 2007 to January 2009. During this time, Mr. McArdle also started two seed-stage technologies of his own in the fields of cardiac resynchronization therapy (Oxus Medical) and orthopedics (Tesa Medical). Mr. McArdle was Vice President of Worldwide Finance for Microsulis, an international, commercial stage company focused on ablation of unhealthy tissue for endometriosis, liver cancer and venous malformations from 2004 to 2007. From 1998 to 2004 Mr. McArdle was employed by BioSphere Medical. Mr. McArdle received his B.S. and M.B.A. from Boston College.

Nancy Lynch, M.D. has served as our Chief Medical Officer since September 2013. Dr. Lynch is also the President of Advisorthopædics, a consulting company focused on the orthopedics industry, which she founded in May 2010. Previously, Dr. Lynch was employed with Scale Venture Partners, a venture capital company, as a Principal and Associate from 2006 to April 2010. Dr. Lynch earned her M.D. from the Washington University School of Medicine in St. Louis and her M.B.A. from Duke University. Dr. Lynch completed her residency in orthopaedic surgery with the Mayo Graduate School of Medicine in 1995. Dr. Lynch is a Fellow of the American Academy of Orthopaedic Surgeons and is a board-certified orthopedic surgeon.

Stephen Kennedy has served as our Senior Vice President of Manufacturing, Operations and Supply Chain since August 2013. From May 2011 to August 2013, Mr. Kennedy served as the Executive Vice President, Research and Development, at Mascoma Corporation, a biofuel company. Mr. Kennedy served as Executive Director of the Novartis/MIT Center for Continuous Manufacturing at the Massachusetts Institute of Technology from October 2010 to May 2011. Mr. Kennedy also served as Senior Vice President of Biologics Operations at Genzyme Corporation from 2008 to October 2010, after having held a variety of technical operations positions with the company beginning in 1992. Prior to this, Mr. Kennedy managed process development at Genencor International in Helsinki, Finland from 1989 to 1992. Mr. Kennedy has a B.S. from the University of Michigan, an M.S. from the University of Rochester and an M.B.A. from Boston University.

Other Key Employees

Laura Mondano has served as our Vice President of Regulatory and Quality since July 2012. Prior to joining us, Ms. Mondano worked as a regulatory consultant from January 2011 to June 2012. From 2002 to November 2010, Ms. Mondano was with Genzyme Corporation serving most recently as Director of Global Regulatory Affairs. Prior to this, Ms. Mondano was the Director of Regulatory and Clinical Affairs at Anika Therapeutics from 2000 to 2002 and she held several positions in regulatory affairs at Boston Scientific from 1992 to 2000. Ms. Mondano has a B.S. from the University of New Hampshire and is Regulatory Affairs Certified.

Non-employee Directors

Joshua Baltzell has served as a member of our board of directors since July 2012. Mr. Baltzell joined Split Rock Partners at the firm's inception in 2004 as a Principal with the healthcare investment team and has served as a Managing Director since January 2009. From January 2009 to January 2010, Mr. Baltzell served as the Chief Executive Officer and President of Tarsus Medical, a developer of solutions and devices for unsolved problems within the field of podiatry. From 2005 to January 2009, Mr. Baltzell served as a Principal with St. Paul Venture Capital's healthcare team. Mr. Baltzell graduated from St. Olaf College and has an M.B.A. from the University of Minnesota's Carlson School of Management. We believe Mr. Baltzell's qualifications to serve as a director of our company include his extensive experience in the venture capital industry, his investment banking experience in the healthcare and medical device industries with both public and privately held companies and his significant prior board experience.

John H. Johnson has served as a member of our board of directors since November 2013. Mr. Johnson has served as President and Chief Executive Officer of Dendreon Corporation since January 2012. Mr. Johnson previously served as the Chief Executive Officer and a director of Savient Pharmaceuticals, Inc., a pharmaceutical company, from January 2011 until January 2012, and prior to that time, served as Senior Vice President and President of Eli Lilly and Company's oncology unit from November 2009 until January 2011. He

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was also Chief Executive Officer of ImClone Systems Incorporated from 2007 until November 2009, and served on ImClone's board of directors until it was acquired by Eli Lilly in 2008. Prior to joining ImClone, Mr. Johnson served as Company Group Chairman of Johnson & Johnson's Worldwide Biopharmaceuticals unit from 2005 until 2007, President of its Ortho Biotech Products LP and Ortho Biotech Canada units from 2003 until 2005, and Worldwide Vice President of its CNS, Pharmaceuticals Group Strategic unit from 2001 until 2003. Mr. Johnson currently serves as chairman of the board of directors of Tranzyme, Inc. and Dendreon Corporation, and as a director of Cempra, Inc., a clinical stage pharmaceutical company. He also serves as a member of the board of directors for the Pharmaceutical Research and Manufacturers of America and as a member of the Health Section Governing Board of Biotechnology Industry Organization. He earned his B.S. from the East Stroudsburg University of Pennsylvania. We believe that Mr. Johnson's qualifications to serve as a director of our company include his extensive experience as an executive in the biotechnology industry and his prior service as a senior-level executive in mature biotechnology companies.

Garheng Kong, M.D., Ph.D. has served as a member of our board of directors since July 2012. Dr. Kong has been the Managing Partner of Sofinnova HealthQuest, a healthcare investment firm, since July 2013. He was a general partner at Sofinnova Ventures, a venture capital firm focused on life sciences, from September 2010 to December 2013. From 2000 to September 2010, he was at Intersouth Partners, a venture capital firm, most recently as a general partner. Dr. Kong has served on the board of directors of Cempra, Inc., a NASDAQ-listed clinical-stage pharmaceutical company, since 2006 and as chairman of its board since 2008. Dr. Kong has also served on the board of directors of Alimera Sciences, Inc., a NASDAQ-listed biopharmaceutical company, since October 2012 and served on the board of Laboratory Corporation of America Holdings, a NYSE-listed healthcare company, since December 2013. Dr. Kong holds a B.S. from Stanford University. He holds an M.D., Ph.D. and an M.B.A. from Duke University. Among other experience, qualifications, attributes and skills, Dr. Kong's knowledge and experience in the venture capital industry and his medical training led to the conclusion of our board of directors that he should serve as a director of us in light of our business and structure.

Michael Lewis has served as a member of our board of directors since May 2011. Mr. Lewis has more than 25 years of experience in the investment management and retail industries. Mr. Lewis is currently Chairman of Oceana Investment Corporation Limited, a private U.K. investment company, and is also a Partner of Oceana Investment Partners LLP, a U.K. investment advisor. Mr. Lewis currently serves as Chairman of Strandbags Holdings Pty Limited, an Australian retail company comprising some 450 stores and a Non-Executive Director of The Foschini Group Limited, a South African retail company with some 2,000 stores. Mr. Lewis serves on the board of United Trust Bank Limited, a U.K.-based bank, and served on the Supervisory Board of Axel Springer AG in Germany from 2007 to September 2012. Mr. Lewis previously worked for Ivory and Sime, a money manager based in Scotland, and Lombard Odier, a money manager based in England. He has an undergraduate degree and a postgraduate degree from the University of Cape Town. We believe Mr. Lewis's qualifications to serve as a director include his extensive experience in money management, and as an investor and director of biomedical and other companies.

Kevin Rakin has served as a member of our board of directors since October 2012. Mr. Rakin is a co-founder and Partner at HighCape Partners, a growth equity life sciences fund where he has served since November 2013. From June 2011 to November 2012, Mr. Rakin was the President of Regenerative Medicine at Shire plc, a leading specialty biopharmaceutical company. Prior to joining Shire, Mr. Rakin served as the Chairman and Chief Executive Officer of Advanced BioHealing from 2007 until its acquisition by Shire for \$750 million in June 2011. Mr. Rakin currently serves on the executive committee for Connecticut United for Research Excellence (CURE), Connecticut's bioscience cluster and as a board member of CyVek, Inc, Cheetah Medical Inc. and Tela Bio, Inc. He has previously served as a board member for Ipsogen SA, Vion Pharmaceuticals, Inc., OMRIX Biopharmaceuticals, Inc. and Clinical Data, Inc. Mr. Rakin holds an M.B.A. from Columbia University and received his graduate and undergraduate degrees in commerce from the University of Cape Town, South Africa. We believe that Mr. Rakin's qualifications to serve as a director of our company include his extensive experience as an executive in the biotechnology industry, as well as his service in positions in various companies as a Chief Executive Officer, Chief Financial Officer and President and his involvement in public and private financings and mergers and acquisitions in the biotechnology industry.

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Board of Directors

Our business and affairs are managed under the direction of our board of directors, which is currently composed of five members. Our current directors were elected pursuant to an amended and restated stockholder agreement among certain of our preferred and common stock holders. This agreement will terminate upon the closing of this offering, at which time there will be no further contractual obligations regarding the election of our directors.

Independent Directors

We have applied to list our common stock on the NASDAQ Global Market. Under NASDAQ rules, independent directors must comprise a majority of a listed company's board of directors within 12 months from the date of listing. In addition, NASDAQ rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees be independent within 12 months from the date of listing. Audit committee members must also satisfy additional independence criteria, including those set forth in Rule 10A-3 under the Securities Exchange Act, and compensation committee members must also satisfy additional independence criteria, including those set forth in Rule 10C-1 of the Securities Exchange Act. Under NASDAQ rules, a director will qualify as an "independent director" only if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered independent for purposes of Rule 10A-3 under the Securities Exchange Act, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: (1) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries, other than compensation for board service; or (2) be an affiliated person of the listed company or any of its subsidiaries. In order to be considered independent for purposes of Rule 10C-1 under the Securities Exchange Act, each member of the compensation committee must be a member of the board of directors of the listed company, and must otherwise be independent. In determining independence requirements for members of compensation committees, the national securities exchanges and national securities associations shall consider relevant factors, including: (1) the source of compensation of a member of the board of directors of a listed company, including any consulting, advisory or other compensatory fee paid by the listed company to such member of the board of directors; and (2) whether a member of the board of directors of a listed company is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.

In November 2013, our board of directors undertook a review of its composition and that of its committees, as well as the independence of each director who will serve following the consummation of this offering. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors has determined that each of Joshua Baltzell, John H. Johnson, Garheng Kong, M.D., Ph.D., Michael Lewis and Kevin Rakin qualify as independent directors in accordance with the rules of NASDAQ, each of Joshua Baltzell, John H. Johnson, Garheng Kong, M.D., Ph.D., Michael Lewis and Kevin Rakin qualify as independent directors in accordance with Rule 10C-1 under the Securities Exchange Act and each of John H. Johnson and Kevin Rakin qualify as independent directors in accordance with Rule 10A-3 under the Securities Exchange Act. The independent members of our board of directors will hold separate regularly scheduled executive session meetings at which only independent directors are present.

Classified Board

Immediately following this offering, in accordance with the terms of our certificate of incorporation and bylaws, our board of directors will be divided into three classes with staggered three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our current directors will be divided among the three classes as follows:

- The Class I directors will be Joshua Baltzell and Kevin Rakin, and their terms will expire at the annual meeting of stockholders to be held in 2015.

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- The Class II directors will be Michael Lewis and Adam Gridley, and their terms will expire at the annual meeting of stockholders to be held in 2016.
- The Class III directors will be John H. Johnson and Garheng Kong, M.D., Ph.D., and their terms will expire at the annual meeting of stockholders to be held in 2017.

Each director's term will continue until the election and qualification of his successor, or his earlier death, resignation, retirement, disqualification or other removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as reasonably possible, each class will consist of one-third of our directors.

The authorized number of directors may be changed only by resolution of the board of directors. This classification of the board of directors into three classes with staggered three-year terms may have the effect of delaying or preventing changes in our control or management.

Our directors may be removed only for cause and by the affirmative vote of the holders of two-thirds of our outstanding voting stock.

Board Leadership Structure

Our board of directors is currently led by its chairman, Garheng Kong, M.D., Ph.D. Our board of directors recognizes that it is important to determine an optimal board leadership structure to ensure the independent oversight of management as the company continues to grow. We separate the roles of chief executive officer and chairman of the board in recognition of the differences between the two roles. The chief executive officer is responsible for setting the strategic direction for the company and the day-to-day leadership and performance of the company, while the chairman of the board of directors provides guidance to the chief executive officer and presides over meetings of the full board of directors. We believe that this separation of responsibilities provides a balanced approach to managing the board of directors and overseeing the company.

Our board of directors has concluded that our current leadership structure is appropriate at this time. However, our board of directors will continue to periodically review our leadership structure and may make such changes in the future as it deems appropriate.

Board Oversight of Risk

Our board of directors has responsibility for the oversight of the company's risk management processes and, either as a whole or through its committees, regularly discusses with management our major risk exposures, their potential impact on our business and the steps we take to manage them. The risk oversight process includes our board receiving regular reports from board committees and members of senior management to enable our board to understand the company's risk identification, risk management and risk mitigation strategies with respect to areas of potential material risk, including operations, finance, legal, regulatory, strategic and reputational risk.

The audit committee of our board of directors reviews information regarding liquidity and operations, and oversees our management of financial risks. Periodically, the audit committee reviews our policies with respect to risk assessment, risk management, loss prevention and regulatory compliance. Oversight by the audit committee includes direct communication with our external auditors, and discussions with management regarding significant risk exposures and the actions management has taken to limit, monitor or control such exposures. The compensation committee of our board of directors is responsible for assessing whether any of our compensation policies or programs has the potential to encourage excessive risk-taking. The nominating and corporate governance committee of our board of directors manages risks associated with the independence of the board, corporate disclosure practices, and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire board is regularly informed through committee reports about such risks. Matters of significant strategic risk are considered by our board as a whole.

Code of Business Conduct

Our board of directors adopted a code of business conduct that applies to each of our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. The code addresses various topics, including:

- compliance with applicable laws, rules and regulations;
- conflicts of interest;
- public disclosure of information;
- insider trading;
- corporate opportunities;
- competition and fair dealing;
- gifts;
- discrimination, harassment and retaliation;
- health and safety;
- record-keeping;
- confidentiality;
- protection and proper use of company assets;
- payments to government personnel; and
- the reporting of illegal and unethical behavior.

Prior to the completion of this offering, the code of business conduct will be posted on the Investor Relations section of our website, which is located at www.histogenics.com. Any waiver of the code of business conduct for an executive officer or director may be granted only by our board of directors or a committee thereof and must be timely disclosed as required by applicable law. We intend to disclose future amendments to certain provisions of our code of business conduct, or waivers of those provisions, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions on our website, www.histogenics.com.

We have implemented whistleblower procedures that establish formal protocols for receiving and handling complaints from employees. Any concerns regarding accounting or audit matters reported under these procedures will be communicated promptly to the audit committee.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Prior to the completion of this offering, the composition of these committees will meet the criteria for independence under, and the functioning of these committees will comply with, the applicable requirements of the rules of NASDAQ and SEC rules and regulations. We intend to comply with future requirements as they become applicable to us.

Each committee operates under a charter that has been approved by our board of directors. Prior to the completion of this offering, copies of each committee's charter will be posted on the Investor Relations section of our website, which is located at www.histogenics.com. Each committee has the composition and responsibilities described below. Our board of directors may from time to time establish other committees.

Audit Committee

In November 2013, our board of directors adopted a revised charter for the audit committee of the board, which is currently comprised of John H. Johnson and Kevin Rakin, each of whom is a non-employee member of the board of directors. Kevin Rakin serves as the chair of the audit committee. The audit committee's main function is to oversee our accounting and financial reporting processes, internal systems of control, independent registered public accounting firm relationships and the audits of our financial statements. Pursuant to the audit committee charter, the functions of the committee include, among other things:

- appointing, approving the compensation of, and assessing the independence of our registered public accounting firm;
- overseeing the work of our registered public accounting firm, including through the receipt and consideration of reports from such firm;
- reviewing and discussing with management and the registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting and our disclosure controls and procedures;
- meeting independently with our registered public accounting firm and management;
- furnishing the audit committee report required by SEC rules;
- reviewing and approving or ratifying any related person transactions; and
- overseeing our risk assessment and risk management policies.

All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and NASDAQ. Our board of directors has determined that Kevin Rakin is an "audit committee financial expert" as defined by applicable SEC rules and has the requisite financial sophistication as defined under the applicable NASDAQ rules and regulations.

Our board of directors has determined that each of John H. Johnson and Kevin Rakin is independent under the applicable rules and regulations of NASDAQ, including Rule 10A-3 under the Securities Exchange Act. Prior to the completion of this offering, we expect to appoint an additional independent director to the audit committee.

Compensation Committee

In November 2013, our board of directors established a compensation committee, which is currently comprised of Joshua Baltzell, John H. Johnson and Kevin Rakin. John H. Johnson serves as the chair of the compensation committee. Our compensation committee reviews and recommends policies relating to compensation and benefits of our officers and employees. Pursuant to the compensation committee charter, the functions of this committee include:

- evaluating the performance of our chief executive officer and determining the chief executive officer's salary and contingent compensation based on his or her performance and other relevant criteria;
- identifying the corporate and individual objectives governing the chief executive officer's compensation;
- approving the compensation of our other executive officers;
- making recommendations to our board with respect to director compensation;
- reviewing and approving the terms of material agreements between us and our executive officers;
- overseeing and administering our equity incentive plans and employee benefit plans;

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- reviewing and approving policies and procedures relating to the perquisites and expense accounts of our executive officers;
- preparing the annual compensation committee report required by SEC rules; and
- conducting a review of executive officer succession planning, as necessary, reporting its findings and recommendations to our board of directors, and working with the Board in evaluating potential successors to executive officer positions.

In accordance with NASDAQ listing standards, our board of directors has granted our compensation committee the authority and responsibility required under Rules 10C-1(b)(2), (3) and (4) of the Securities Exchange Act, relating to the authority to retain or obtain the advice of compensation consultants, legal counsel and other compensation advisers, the authority to fund such advisers, and the responsibility to consider the independence factors specified under Rules 10C-1(b)(4)(i) through (vi) and any additional factors the compensation committee deems relevant.

Our board of directors has determined that each of Joshua Baltzell, John H. Johnson and Kevin Rakin is independent under the applicable rules and regulations of NASDAQ, including Rule 10C-1 under the Securities Exchange Act, is a “non-employee director” as defined in Rule 16b-3 promulgated under the Securities Exchange Act and is an “outside director” as that term is defined in Section 162(m) of the Internal Revenue Code.

Nominating and Corporate Governance Committee

In November 2013, our board of directors established a nominating and corporate governance committee of the board, which is currently comprised of Joshua Baltzell, Garheng Kong, M.D., Ph.D. and Michael Lewis. Dr. Kong serves as the chair of the nominating and corporate governance committee. Pursuant to the nominating and corporate governance committee charter, the functions of this committee include, among other things:

- identifying, evaluating, and making recommendations to our board of directors and our stockholders concerning nominees for election to our board, to each of the board’s committees and as committee chairs;
- annually reviewing the performance and effectiveness of our board and developing and overseeing a performance evaluation process;
- annually evaluating the performance of management, the board and each board committee against their duties and responsibilities relating to corporate governance;
- annually evaluating adequacy of our corporate governance structure, policies, and procedures; and
- providing reports to our board regarding the committee’s nominations for election to the board and its committees.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is or has in the past served as an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Limitations on Liability and Indemnification Matters

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or controlling persons, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

DIRECTOR COMPENSATION**Fiscal Year 2013 Director Compensation**

We do not have any established policy with regard to cash or equity-based compensation of non-employee members of our board of directors. However, under our 2013 equity incentive plan (2013 Plan), pursuant to which we intend to issue awards beginning with the effective date of this offering, the maximum number of shares subject to equity awards, and the maximum size of performance cash awards, that may be granted or paid to participants in any calendar year is limited, as set forth in more detail under “Executive Compensation—Equity Plans” below. During the year ended December 31, 2013, our non-employee directors did not receive any cash compensation or stock awards for their service on our board of directors or committees of our board of directors, except that Kevin Rakin was granted the right to purchase 81,623 shares of our common stock in April 2013 in connection with his service as a member of our board of directors, and John H. Johnson was granted an option to purchase 100,000 shares of our common stock in December 2013 in connection with his appointment to our board of directors.

The following table presents certain information with respect to the compensation of all of our non-employee directors:

<u>Name</u>	<u>Stock Awards(\$)(2)(3)</u>	<u>Option Awards(\$)(2)(3)</u>	<u>Total(\$)</u>
Joshua Baltzell	—	—	—
John H. Johnson ⁽¹⁾	—	52,000 ⁽⁵⁾	52,000
Garheng Kong, M.D., Ph.D.	—	—	—
Michael Lewis	—	—	—
Kevin Rakin	8,979 ⁽⁴⁾	—	8,979

⁽¹⁾ Mr. Johnson was appointed to our board of directors effective November 13, 2013.

⁽²⁾ The amounts in these columns represent the aggregate grant date fair value of the option granted to Mr. Johnson on December 11, 2013, and the restricted shares sold to Mr. Rakin on April 23, 2013, computed in accordance with FASB ASC Topic 718. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for a discussion of the assumptions made by us in determining the grant date fair value of our equity awards.

⁽³⁾ As of December 31, 2013, Mr. Johnson held an outstanding option to purchase 100,000 shares of our common stock, and Mr. Rakin held an aggregate of 127,444 restricted shares of our common stock and a non-compensatory warrant to purchase 2,624 shares of our common stock. None of our other non-employee directors held stock awards or options as of December 31, 2013.

⁽⁴⁾ Mr. Rakin purchased 81,623 shares of our common stock at a price of \$0.001 per share, subject to our repurchase right if his service terminates prior to his vesting in such shares. Such repurchase right lapses in equal annual installments upon the completion of each of four years of continuous service provided by Mr. Rakin as a director following April 23, 2013. Our repurchase right lapses in full if we are subject to a change in control (as defined under “Change in Control Benefits”) prior to the termination of Mr. Rakin’s director service.

⁽⁵⁾ Mr. Johnson was granted an option to purchase 100,000 shares of our common stock at an exercise price of \$0.66 per share. The option vests in equal annual installments upon the completion of each of four years of continuous service provided by Mr. Johnson as a director following November 13, 2013. In addition, the option will vest in full if we are subject to a change in control (as defined under “Change in Control Benefits”) prior to the termination of Mr. Johnson’s director service.

None of our executive officers who also served as a member of our board of directors during our fiscal year ended December 31, 2013, received any additional compensation for such service as a director.

We have a policy of reimbursing our directors for their reasonable out-of-pocket expenses incurred in attending board of directors and committee meetings.

EXECUTIVE COMPENSATION

Fiscal Year 2013 Summary Compensation Table

The following table provides information concerning the compensation paid to Peter Greenleaf, our former President and Chief Executive Officer, our next two most highly compensated executive officers during the year ended December 31, 2013, and Patrick O'Donnell, our former Chairman, President and Chief Executive Officer. We refer to these individuals as our named executive officers.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)⁽⁵⁾</u>	<u>Bonus (\$)</u>	<u>Option Awards (\$)⁽⁷⁾</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Peter Greenleaf ⁽¹⁾ <i>Former Director, President and Chief Executive Officer</i>	2013	196,575	—	230,967	28,957 ⁽⁹⁾	456,499
Nancy Lynch, M.D. ⁽²⁾ <i>Chief Medical Officer</i>	2013	71,233	25,000 ⁽⁶⁾	156,000	—	252,233
Stephen Kennedy ⁽³⁾ <i>Senior Vice President of Manufacturing, Operations and Supply Chain</i>	2013	116,342	—	156,000	—	272,342
Patrick O'Donnell ⁽⁴⁾ <i>Former Chairman, President and Chief Executive Officer</i>	2013	46,466	—	7,088 ⁽⁸⁾	235,851 ⁽¹⁰⁾	289,405

⁽¹⁾ Employment commenced on June 10, 2013. Mr. Greenleaf resigned his employment on February 28, 2014.

⁽²⁾ Employment commenced on September 23, 2013.

⁽³⁾ Employment commenced on August 5, 2013.

⁽⁴⁾ Resigned his employment on March 5, 2013.

⁽⁵⁾ Represents prorated salary due to the commencement or termination of the officer's employment during the year ended December 31, 2013.

⁽⁶⁾ Represents a sign-on bonus paid to Dr. Lynch in connection with the commencement of her employment. A prorated portion of the bonus is repayable to us if Dr. Lynch resigns her employment prior to September 23, 2014.

⁽⁷⁾ Represents the aggregate grant date fair value of option awards granted to each of Messrs. Greenleaf and Kennedy and to Dr. Lynch, and the incremental fair value with respect to the modification of Mr. O'Donnell's option, during the year ended December 31, 2013, computed in accordance with FASB ASC Topic 718. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for a discussion of the assumptions made by us in determining the fair value of our equity awards.

⁽⁸⁾ Represents incremental fair value related to the modification of the vesting schedule applicable to Mr. O'Donnell's option granted on August 5, 2012 in connection with his resignation of employment. Pursuant to his separation agreement, 354,395 shares subject to such option will vest in equal monthly installments during the 12-month period following March 19, 2013, provided that he continues to fulfill his obligations to us described in such separation agreement.

⁽⁹⁾ Represents \$24,000 paid to Mr. Greenleaf to cover estimated temporary housing and related expenses during his first six months of employment and \$4,957 paid to Mr. Greenleaf as a gross-up with respect to taxes incurred on such payment. A prorated portion of such payment was repayable to us upon Mr. Greenleaf's resignation on February 28, 2014, unless determined otherwise by our board of directors. Mr. Greenleaf repaid such amounts in accordance with his employment agreement prior to his resignation.

⁽¹⁰⁾ Represents severance benefits paid to Mr. O'Donnell pursuant to his separation agreement with us, including \$218,534 in cash severance, \$13,113 for health insurance premiums and \$4,204 for accrued but unused vacation, in exchange for a release of claims.

Narrative Explanation of Certain Aspects of the Summary Compensation Table

The compensation paid to our named executive officers consists of the following components:

- base salary;
- performance-based cash bonuses; and
- long-term incentive compensation in the form of stock options.

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Base Salaries

For the year ended December 31, 2013, the annual base salaries for our named executive officers were as follows: Peter Greenleaf—\$350,000; Nancy Lynch, M.D.—\$260,000; Stephen Kennedy—\$285,000; and Patrick O’Donnell—\$265,000. Except in connection with hiring new executive officers, neither our board of directors nor the compensation committee of our board of directors took any action during the year ended December 31, 2013, to increase or decrease the base salaries of our named executive officers.

Performance-Based Bonuses

Pursuant to employment agreements with Messrs. Greenleaf and O’Donnell and offer letters with Dr. Lynch and Mr. Kennedy, each named executive officer is eligible (or was eligible in the case of Messrs. Greenleaf and O’Donnell) to earn an annual bonus equal to a specified percentage of his or her base salary (40% with respect to each of Mr. Greenleaf and Dr. Lynch and 35% with respect to each of Messrs. Kennedy and O’Donnell). The actual amount of bonus earned is determined by our board of directors based on our performance and the officer’s achievement of objectives and goals determined by our chief executive officer (or, with respect to Messrs. Greenleaf and O’Donnell, our board of directors).

Long-Term Incentive Compensation

We offer stock options to our employees, including our named executive officers, as the long-term incentive component of our compensation program. Our stock options allow our employees to purchase shares of our common stock at a price equal to the fair market value of our common stock on the date of grant. Our stock options granted to newly hired employees generally vest as to 25% of the total number of option shares on the first anniversary of the award and in equal monthly installments over the following 36 months.

For information regarding the vesting acceleration provisions applicable to the options held by our named executive officers, please see “Severance Benefits” and “Change in Control Benefits” below.

Outstanding Equity Awards at 2013 Fiscal Year-End

The following table sets forth information regarding each unexercised option held by each of our named executive officers as of December 31, 2013.

<u>Name</u>	<u>Option Awards</u>			
	<u>Number of Securities Underlying Unexercised Options Exercisable(#)</u>	<u>Number of Securities Underlying Unexercised Options Unexercisable(#)</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date</u>
Peter Greenleaf	—	2,099,704 ⁽¹⁾	0.07	7/15/2023
Nancy Lynch, M.D.	—	300,000 ⁽²⁾	0.66	12/10/2023
Stephen Kennedy	—	300,000 ⁽³⁾	0.66	12/10/2023
Patrick O’Donnell	265,796	88,599 ⁽⁴⁾	0.07	6/17/2014

⁽¹⁾ Option vests over four years of service following June 10, 2013, with 25% vesting upon completion of 12 months of service and in 36 equal monthly installments thereafter. Mr. Greenleaf resigned his employment on February 28, 2014. As of February 28, 2014, Mr. Greenleaf was not vested in any of the options previously granted and such options lapsed per his separation agreement.

⁽²⁾ Option vests over four years of service following September 23, 2013, with 25% vesting upon completion of 12 months of service and in 36 equal monthly installments thereafter.

⁽³⁾ Option vests over four years of service following August 19, 2013, with 25% vesting upon completion of 12 months of service and in 36 equal monthly installments thereafter.

⁽⁴⁾ Pursuant to his separation agreement, 354,395 of the shares subject to Mr. O’Donnell’s option granted on August 15, 2012, vest and become exercisable in 12 equal monthly installments following March 19, 2013, provided that he continues to fulfill his obligations to us described in his separation agreement. Mr. O’Donnell has 90 days from March 19, 2014 to exercise his vested options. The remaining 1,063,184 shares originally subject to Mr. O’Donnell’s option expired in connection with his resignation on March 5, 2013.

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For information regarding the vesting acceleration provisions applicable to the options held by our named executive officers, please see “Change in Control Benefits” below.

Employment Agreements

Peter Greenleaf

In June 2013, we entered into an employment agreement with Peter Greenleaf in connection with his appointment as our president and chief executive officer. Under this agreement, Mr. Greenleaf’s initial base salary was \$350,000 per year, and he was initially eligible to receive an annual cash bonus equal to 40% of his base salary, subject to satisfaction of objective or subjective criteria established by our board of directors or its compensation committee. For a period of 12 months after the termination of his employment, Mr. Greenleaf will be subject to certain restrictions on competition with us and on the solicitation of our employees and customers. Mr. Greenleaf had an at-will employment relationship with us.

In connection with the commencement of his employment, we paid Mr. Greenleaf \$28,957 to assist with estimated temporary housing and related expenses, which amount includes a tax gross-up with respect to such expenses. Such amount was subject to repayment to us upon Mr. Greenleaf’s resignation on February 28, 2014, because he had not completed 12 months of employment. Mr. Greenleaf repaid such amounts in accordance with his employment agreement prior to his resignation.

Pursuant to his employment agreement, Mr. Greenleaf received an option to purchase up to 2,099,704 shares of our common stock, as described in more detail above under “Outstanding Equity Awards at 2013 Fiscal Year-End.” In February 2014, we entered into a separation agreement and general release of all claims with Mr. Greenleaf in connection with his resignation of employment. Pursuant to such agreement, the option expired in its entirety on his resignation date. For information regarding the vesting acceleration provisions applicable to Mr. Greenleaf’s option, please see “Change in Control Benefits” below.

Nancy Lynch

In September 2013, we entered into a letter agreement with Nancy Lynch, M.D. in connection with her appointment as our chief medical officer. Under this agreement, Dr. Lynch’s initial base salary is \$260,000 per year, and she is initially eligible to receive an annual cash bonus equal to 40% of her base salary, subject to satisfaction of objective or subjective criteria established by our board of directors. For a period of 12 months after the termination of her employment, Dr. Lynch will be subject to certain restrictions on competition with us and on the solicitation of our employees and customers. Dr. Lynch has an at-will employment relationship with us.

In connection with the commencement of her employment, we paid Dr. Lynch a sign-on bonus of \$25,000, subject to repayment to us if she resigns before completing 12 months of employment.

Pursuant to her letter agreement, Dr. Lynch received an option to purchase up to 300,000 shares of our common stock, as described in more detail above under “Outstanding Equity Awards at 2013 Fiscal Year-End.” In addition, for information regarding the vesting acceleration provisions applicable to Dr. Lynch’s option, please see “Change in Control Benefits” below.

Stephen Kennedy

In July 2013, we entered into a letter agreement with Stephen Kennedy in connection with his appointment as our senior vice president of operations. Under this agreement, Mr. Kennedy’s initial base salary is \$285,000 per year, and he is initially eligible to receive an annual cash bonus equal to 35% of his base salary, subject to satisfaction of objective or subjective criteria established by our board of directors. For a period of 12 months after the termination of his employment, Mr. Kennedy will be subject to certain restrictions on competition with us and on the solicitation of our employees and customers. Mr. Kennedy has an at-will employment relationship with us.

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Pursuant to his letter agreement, Mr. Kennedy received an option to purchase up to 300,000 shares of our common stock, as described in more detail above under “Outstanding Equity Awards at 2013 Fiscal Year-End.” In addition, for information regarding the vesting acceleration provisions applicable to Mr. Kennedy’s option, please see “Change in Control Benefits” below.

Adam Gridley

In April 2014, we entered into a letter agreement with Adam Gridley, under which Mr. Gridley agreed to become our president and chief executive officer, effective May 12, 2014. Under this agreement, Mr. Gridley’s initial base salary will be \$350,000 per year, and he is initially eligible to receive an annual cash bonus, with a target equal to 40% of his base salary, subject to satisfaction of objective or subjective criteria established by our board of directors (and pro-rated for his first year of employment). For a period of 12 months after the termination of his employment, Mr. Gridley will be subject to certain restrictions on competition with us and on the solicitation of our employees and customers. Mr. Gridley has an at-will employment relationship with us.

Pursuant to his letter agreement, Mr. Gridley received an option to purchase up to 2,133,098 shares of our common stock. In addition, if, prior to the consummation of this offering, we close an additional sale of our preferred stock, as described in Mr. Gridley’s letter agreement, including the third closing available to be called under the amended and restated Series A Purchase Agreement (as described below), he will be granted an additional option to purchase up to a number of shares such that, together with the original option, Mr. Gridley’s options represent 4% of our common stock, including shares issuable upon conversion of option and warrants, outstanding at that time. The options will vest 25% after the first 12 months of Mr. Gridley’s continuous service with the remainder vesting in equal monthly installments over the next three years of his continuous service. In addition, for information regarding the vesting acceleration provisions applicable to Mr. Gridley’s options, please see “Change in Control Benefits” below.

Severance Benefits

Peter Greenleaf

Pursuant to Mr. Greenleaf’s employment agreement, if we had terminated Mr. Greenleaf’s employment without cause or if he had resigned for good reason, we would have continued to pay Mr. Greenleaf his base salary and the employer portion of premiums under COBRA for himself and his eligible dependents for a period of 12 months following such termination or resignation of employment. Such benefits would have been subject to Mr. Greenleaf’s execution of a general release of all claims he may have against us and certain related parties.

For purposes of his employment agreement, cause meant Mr. Greenleaf’s unauthorized use or disclosure of our confidential information or trade secrets which causes material harm to us; material breach of any material agreement with us; material failure to comply with our written policies or rules after receiving written notification of such failure; sale, possession or use of illegal drugs or habitual intoxication on our premises or the premises of a customer or business partner while conducting our business; conviction of, or plea of guilty or no contest to, a felony; gross negligence or willful misconduct; continuing failure to perform reasonably assigned duties after receiving written notification of such failure; or failure to cooperate in good faith with a governmental or internal investigation of us, if so requested.

For purposes of his employment agreement, good reason meant, without Mr. Greenleaf’s consent, a material reduction in his base salary, relocation of his principal workplace by more than 40 miles or a change in his title or position that materially reduces his level of authority or responsibility. Mr. Greenleaf’s resignation of employment was not for good reason.

In February 2014, we entered into a separation agreement and general release of all claims with Mr. Greenleaf in connection with his resignation of employment. Pursuant to such agreement, all 2,099,704 shares subject to his 2013 option grant expired on his resignation date.

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Nancy Lynch

If we terminate Dr. Lynch's employment without cause or if she resigns for good reason, we will continue to pay Dr. Lynch her base salary and the employer portion of premiums under COBRA for herself and her eligible dependents for a period of 12 months following the termination of her employment. Such benefits are subject to Dr. Lynch's execution of a general release of all claims she may have against us and certain related parties.

The definition of cause in Dr. Lynch's letter agreement is the same as that in Mr. Greenleaf's employment agreement, as described above. For purposes of her letter agreement, good reason means, without Dr. Lynch's consent, a material reduction in her base salary, material breach of our obligations under her letter agreement, or a change in her title or position that materially reduces her level of authority or responsibility.

Stephen Kennedy

If we terminate Mr. Kennedy's employment without cause, we will continue to pay Mr. Kennedy his base salary, and he will be entitled to health benefits, for a period of nine months following the termination of his employment. In addition, his stock options will continue to vest during the nine-month period following his termination.

For purposes of his letter agreement, cause means Mr. Kennedy's indictment or conviction of any felony or any crime involving dishonesty or moral turpitude, breach of his letter agreement or his proprietary information, inventions and nonsolicitation agreement with us, refusal to abide by or comply with the legal directives of our board of directors, dishonesty, fraud or misconduct with respect to our affairs or business, gross negligence or failure to perform his duties or violation of our policies regarding business ethics, drug or alcohol use, equal employment opportunity or sexual or other unlawful harassment.

Patrick O'Donnell

In March 2013, we entered into a separation agreement and general release of all claims with Patrick O'Donnell in connection with his resignation of employment. Pursuant to such agreement, Mr. O'Donnell is entitled to receive continued payment of his base salary and payment of his premiums for healthcare continuation coverage under COBRA for 12 months. In addition, 354,395 shares subject to a 2012 option grant vest in equal monthly installments during the 12-month period following the effective date of the separation agreement. The remaining shares subject to such option expired on his resignation date. All of the benefits to which Mr. O'Donnell is entitled pursuant to such separation agreement are contingent on his providing continuing transition assistance to us during such 12-month period. The aggregate value of his cash severance is \$275,000 and the estimated aggregate value of his COBRA premiums is \$16,000.

Adam Gridley

As described above, in April 2014, we entered into a letter agreement with Adam Gridley, under which Mr. Gridley agreed to become our president and chief executive officer, effective May 12, 2014. Under this agreement, if we terminate Mr. Gridley's employment without cause or Mr. Gridley resigns for good reason, we will continue to pay Mr. Gridley his base salary, and he will be entitled to health benefits, for a period of twelve months following the termination of his employment. In addition, if the termination occurs during the first year of Mr. Gridley's employment and prior to our change in control, then Mr. Gridley's options will be deemed to be vested with respect to 1/48th of the shares for each month of employment completed by Mr. Gridley prior to his termination. Such benefits are subject to Mr. Gridley's execution of a general release of all claims he may have against us and certain related parties.

For purposes of Mr. Gridley's letter agreement, cause means Mr. Gridley's unauthorized use or disclosure of our confidential information or trade secrets which causes material harm to us; material breach of any agreement with us; material failure to comply with our written policies or rules after receiving written notification of such failure; sale, possession or use of illegal drugs or habitual intoxication on our premises or the premises of a

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customer or business partner while conducting our business; conviction of, or plea of guilty or no contest to, a felony; gross negligence or willful misconduct in the course of service to us that results in material harm to us; continuing and willful failure to perform reasonably assigned duties after receiving written notification of such failure; or failure to cooperate in good faith with a governmental or internal investigation of us, if so requested.

For purposes of his letter agreement, good reason means, without Mr. Gridley's consent, a material reduction in his base salary, a change in his title or position that materially reduces his level of authority or responsibility, relocation of his principal workplace by more than 40 miles or a material breach by us of the letter agreement.

Change in Control Benefits

In the event that we experience a change in control and, within 12 months after such change in control, an employee or other service provider (including one of our officers) is terminated by us without cause or such individual resigns for good reason, such individual's options will become fully vested and exercisable.

For purposes of the stock option agreements, change in control means an acquisition by any individual, entity or group of 50% or more of our voting stock, certain changes in the composition of our board of directors, our merger, consolidation, liquidation, dissolution or sale of all or substantially all of our assets.

For purposes of the stock option agreements, cause and good reason have substantially the same meanings as under Mr. Greenleaf's employment agreement, described above.

Retirement Benefits

We have established a 401(k) tax-deferred savings plan, which permits participants, including our named executive officers, to make contributions by salary deduction pursuant to Section 401(k) of the Internal Revenue Code. We are responsible for administrative costs of the 401(k) plan. We may, at our discretion, make matching contributions to the 401(k) plan. No employer contributions have been made to date.

Employee Benefits and Perquisites

Our named executive officers are eligible to participate in our health and welfare plans to the same extent as all full-time employees. Although we generally do not provide our named executive officers with perquisites or other personal benefits, we offered temporary housing and related assistance to Mr. Greenleaf and a signing bonus to Dr. Lynch, each in connection with the commencement of their employment with us, as described in the Summary Compensation Table above.

In addition, as described above under "Change in Control Benefits," equity awards granted to our employees and other service providers, including our officers, generally become fully vested and (if applicable) exercisable if we are subject to a change in control and, within 12 months after such change in control, such individual is terminated by us without cause or such individual resigns for good reason.

Equity Plans

2013 Equity Incentive Plan

Our board of directors adopted our 2013 Plan in November 2013, and we expect our stockholders to approve the 2013 Plan prior to the completion of this offering. The 2013 Plan became effective immediately on adoption although no awards will be made under it until the effective date of the registration statement of which this prospectus is a part. Our 2013 Plan will replace our 2012 Equity Incentive Plan described below (2012 Plan), and no further grants will be made under our 2012 Plan following completion of this offering. However, awards outstanding under the 2012 Plan will continue to be governed by their existing terms.

Share Reserve. The number of shares of our common stock available for issuance under our 2013 Plan will equal the sum of (a) _____ shares, (b) the number of shares of our common stock remaining available for

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issuance under our 2012 Plan as of the effective date of the registration statement of which this prospectus is a part, and (c) the number of shares of our common stock subject to awards under our 2012 Plan that subsequently expire or lapse unexercised and shares issued pursuant to such awards that are forfeited or repurchased by us (such combined number not to exceed _____ shares). The number of shares reserved for issuance under the 2013 Plan will be increased automatically on the first business day of each of our fiscal years during the term of the plan, commencing in 2015, by a number equal to the smallest of:

- _____ shares;
- 3.5% of the number of shares of common stock outstanding on December 31 of the prior year; and
- the number of shares determined by our board of directors.

In general, to the extent that any awards under the 2013 Plan are forfeited, terminate, expire or lapse without the issuance of shares, or if we repurchase the shares subject to awards granted under the 2013 Plan, those shares will again become available for issuance under the 2013 Plan, as will shares applied to pay the exercise or purchase price of an award or to satisfy tax withholding obligations related to any award. All share numbers described in this summary of the 2013 Plan will automatically adjust in the event of a stock split, a stock dividend, a reverse stock split or similar occurrence.

Administration. The compensation committee of our board of directors administers the 2013 Plan. The compensation committee has complete discretion to make all decisions relating to the 2013 Plan and outstanding awards, including repricing outstanding options and modifying outstanding awards.

Eligibility. Employees, non-employee directors and consultants are eligible to participate in our 2013 Plan.

Types of Award. Our 2013 Plan provides for the following types of awards:

- incentive and nonstatutory stock options;
- stock appreciation rights;
- restricted share awards;
- stock unit awards; and
- performance cash awards.

Options and Stock Appreciation Rights. The exercise price for options granted under the 2013 Plan may not be less than 100% of the fair market value of our common stock on the grant date. Optionees may pay the exercise price in cash or, with the consent of the compensation committee and as set forth in the applicable option grant agreement:

- with shares of common stock that the optionee already owns;
- by an immediate sale of shares through a broker approved by us, if shares of our common stock are publicly traded;
- through a net exercise procedure;
- by delivery of a full-recourse promissory note; or
- by other methods permitted by applicable law.

An optionee who exercises a stock appreciation right receives the increase in value of our common stock over the exercise price. The exercise price for stock appreciation rights may not be less than 100% of the fair market value of our common stock on the grant date. The settlement value of a stock appreciation right may be paid in cash, shares of our common stock, or a combination.

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Options and stock appreciation rights vest as determined by the compensation committee at the time of grant. In most cases, they will vest over a four-year period following the date of grant. Options and stock appreciation rights expire at the time determined by the compensation committee but in no event more than ten years after they are granted. These awards generally expire earlier if the participant's service terminates earlier. No participant may be granted stock options and stock appreciation rights under our 2013 Plan covering more than _____ shares in any calendar year.

Restricted Shares and Stock Units. Restricted shares and stock units may be awarded under the 2013 Plan in return for any lawful consideration, and participants who receive restricted shares or stock units generally are not required to pay cash for their awards. In general, these awards will be subject to vesting. Vesting may be based on length of service, the attainment of performance-based milestones or a combination of both, as determined by the compensation committee. No participant may be granted restricted share awards and stock units covering more than _____ shares during any single calendar year. This annual limit is in addition to any stock options and stock appreciation rights the participant may receive during a calendar year. Settlement of vested stock units may be made in the form of cash, shares of common stock, or a combination.

Performance Cash Awards. Performance cash awards may be granted under the 2013 Plan that qualify as performance-based compensation that is not subject to the income tax deductibility limitations imposed by Section 162(m) of the Internal Revenue Code, if the award is approved by our compensation committee and the grant or vesting of the award is tied solely to the attainment of performance goals during a designated performance period. No participant may be paid more than \$ _____ in cash in any calendar year pursuant to a performance cash award granted under the 2013 Plan. Performance goals for the grant or vesting of awards under the 2013 Plan may be based on any one of, or combination of, the following:

Earnings (before or after taxes)	Sales or revenue (using a measure thereof that complies with Section 162(m))
Earnings per share	Expense or cost reduction
Earnings before interest, taxes and depreciation	Working capital
Earnings before interest, taxes, depreciation and amortization	Economic value added (or an equivalent metric)
Total stockholder return	Market share
Return on equity or average stockholders' equity	Cash measures including cash flow and cash balance
Return on assets, investment or capital employed	Operating cash flow
Operating income	Cash flow per share
Gross margin	Share price
Operating margin	Debt reduction
Net operating income	Customer satisfaction
Net operating income after tax	Stockholders' equity
Return on operating revenue	Contract awards or backlog
Objective corporate or individual strategic goals	Objective individual performance goals

To the extent a performance award is not intended to comply with Section 162(m) of the Internal Revenue Code, the compensation committee may select other measures of performance.

Corporate Transactions. In the event we are a party to a merger, consolidation or certain change in control transactions, outstanding awards granted under the 2013 Plan, and all shares acquired under the 2013 Plan, will be subject to the terms of the definitive transaction agreement (or, if there is no such agreement, as determined by our compensation committee). Unless an award agreement provides otherwise, such treatment shall include any of the following with respect to each outstanding award:

- the continuation, assumption or substitution of an award by us or the acquiror or surviving corporation;

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- the cancellation of the unvested portion of options and stock appreciation rights without payment of any consideration;
- the full exercisability of outstanding options and stock appreciation rights and full vesting of the common shares subject to options and stock appreciation rights, followed by cancellation of such options and stock appreciation rights;
- the cancellation of the vested portion of options and stock appreciation rights in exchange for a payment equal to the excess, if any, of the value that a holder of a share of our common stock receives in the transaction over the exercise or purchase price of such award;
- the cancellation of outstanding stock units (whether vested or unvested) in exchange for a payment equal to the value that a holder of a share of our common stock receives in such transaction, which payment may be subject to vesting based on the participant's continuing service with the surviving or acquiring entity; or
- the assignment of any repurchase or reacquisition rights held by us to the surviving or acquiring entity.

The compensation committee is not required to treat all awards, or portions thereof, in the same manner.

The compensation committee has the discretion to provide that an award granted under the 2013 Plan will vest on an accelerated basis if we are subject to a change in control or if the participant is subject to an involuntary termination, either at the time such award is granted or afterward.

A change in control includes:

- any person acquiring beneficial ownership of more than 50% of our total voting power;
- the sale or other disposition of all or substantially all of our assets; or
- our merger or consolidation after which our voting securities represent 50% or less of the total voting power of the surviving or acquiring entity.

Changes in Capitalization. In the event that there is a specified type of change in the capital structure of our common stock, such as a stock split, reverse stock split or dividend paid in common stock, proportionate adjustments will automatically be made to the kind and maximum number of shares:

- reserved for issuance under the 2013 Plan;
- by which the share reserve may increase automatically each year;
- that may be granted to a participant in a year (as established under the 2013 Plan pursuant to Section 162(m) of the Internal Revenue Code);
- that may be issued upon the exercise of incentive stock options; and
- covered by each outstanding option, stock appreciation right and stock unit, the exercise price applicable to each outstanding option and stock appreciation right, and the repurchase price, if any, applicable to restricted shares.

In the event that there is a declaration of an extraordinary dividend payable in a form other than our common stock in an amount that has a material effect on the price of our common stock, a recapitalization, a spin-off or a similar occurrence, the compensation committee may make such adjustments as it deems appropriate, in its sole discretion.

Amendments or Termination. Our board of directors may amend or terminate the 2013 Plan at any time and for any reason. If our board of directors amends the 2013 Plan, it does not need stockholder approval of the

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amendment unless required by applicable law, regulation or rules. The 2013 Plan will continue in effect for ten years, unless our board of directors decides to terminate the plan earlier or unless our board of directors and stockholders later approve an extension of this term.

2012 Equity Incentive Plan

Our board of directors adopted our 2012 Plan in July 2012, and it has been approved by our stockholders. The 2012 Plan became effective on adoption. No further awards will be made under our 2012 Plan following the completion of this offering; however, awards outstanding under our 2012 Plan will continue to be governed by their existing terms.

Share Reserve. As of May 1, 2014, up to 5,883,847 shares of our common stock have been reserved for issuance under the 2012 Plan. As of May 1, 2014, options to purchase 5,292,650 shares of common stock were outstanding under the 2012 Plan, and 423,165 shares of common stock remained available for future issuance under the 2012 Plan. Unissued shares subject to awards that expire, are terminated, surrendered or forfeited, and shares subject to awards that are repurchased by, or are surrendered or forfeited to, us at not more than the price paid for such shares, again become available for issuance under the 2012 Plan.

Administration. Our board of directors administers the 2012 Plan. The board of directors has complete discretion to make all decisions relating to the 2012 Plan and outstanding awards, including repricing outstanding options and modifying outstanding awards in other ways.

Eligibility. Employees, non-employee members of our board of directors, consultants and other persons determined by our board of directors to have made, or who are expected to make, contributions to us are eligible to participate in our 2012 Plan.

Types of Awards. Our 2012 Plan provides for the following types of awards:

- incentive and nonstatutory stock options;
- restricted share awards; and
- other stock-based awards.

Options. The exercise price for options granted under our 2012 Plan may not be less than 100% of the fair market value of our common stock on the grant date. Optionees may pay the exercise price in cash or in one, or by any combination of, the following forms of payment, as permitted by our board of directors in its sole discretion:

- by an immediate sale of the shares through a broker approved by us, if shares of our common stock are publicly traded;
- with shares of common stock that the optionee already owns;
- by delivery of a full-recourse promissory note; or
- by other methods permitted by applicable law.

Options vest as determined by our board of directors at the time of grant. In general, we have granted options that vest over a four-year period following the date of grant. Options expire at the time determined by our board of directors, but in no event more than ten years after they are granted. Options generally expire earlier if the optionee's service terminates earlier.

Restricted Shares. Restricted shares may be awarded under the 2013 Plan in return for any lawful consideration. In general, these awards will be subject to vesting. Vesting may be based on length of service, the attainment of performance-based milestones, or a combination, as determined by our board of directors.

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Corporate Transactions. In the event that we are a party to a change in control, our board of directors shall, in its sole discretion, provide for one or any combination of the following with respect to outstanding awards:

- continuation, assumption or substitution of an award by us or the surviving or acquiring entity;
- acceleration of the date of exercise or vesting of an award;
- exchange of an award for the right to participate in an equity or other employee benefit plan of any successor corporation;
- cancellation of the award in exchange for a payment equal to the excess, if any, of the value that a holder of a share of our common stock receives in the transaction over the exercise price of such award; or
- termination of the award immediately prior to the consummation of such transaction.

Our board of directors is not required to treat all awards, or portions thereof, in the same manner. Our board of directors has the discretion to provide that an award granted under the 2012 Plan will vest on an accelerated basis if we are subject to a change in control or if the participant is subject to an involuntary termination, either at the time such award is granted or afterward.

A change in control includes:

- any person acquiring beneficial ownership of 50% or more of our total voting power;
- a proxy contest that results in the replacement of a majority of our directors;
- a reorganization, merger or consolidation after which our stockholders own 50% or less of the surviving corporation;
- our complete liquidation or dissolution; or
- a sale or other disposition of all or substantially all of our assets.

Changes in Capitalization. In the event that there is a specified type of change in the capital structure of our common stock, such as a stock split, reverse stock split, stock dividend, extraordinary cash dividend, recapitalization, spin-off, split-up, or other similar change in capitalization or similar event, the number and class of shares available under our 2012 Plan, the number and class of securities, vesting schedule and exercise price per share subject to each outstanding option granted under the 2012 Plan, the repurchase price per security subject to repurchase, and the terms of each other outstanding award shall be adjusted by (or substituted awards may be made, if applicable) to the extent our board of directors determines that such an adjustment (or substitution) is appropriate.

2013 Employee Stock Purchase Plan

Our 2013 Employee Stock Purchase Plan (2013 ESPP) was adopted by our board of directors in November 2013 and we expect our stockholders to approve it prior to completion of this offering. The 2013 ESPP will become effective as of the effective date of the registration statement of which this prospectus is a part. Our 2013 ESPP is intended to qualify under Section 423 of the Internal Revenue Code.

Share Reserve. We have reserved _____ shares of our common stock for issuance under the 2013 ESPP. The number of shares reserved for issuance under the 2013 ESPP will automatically be increased on the first business day of each of our fiscal years, commencing in 2015, by a number equal to the least of:

- _____ shares;
- _____ % of the shares of common stock outstanding on the last business day of the prior fiscal year; or
- the number of shares determined by our board of directors.

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The number of shares reserved under the 2013 ESPP will automatically be adjusted in the event of a stock split, stock dividend or a reverse stock split (including an adjustment to the per-purchase period share limit).

Administration. The compensation committee of our board of directors will administer the 2013 ESPP.

Eligibility. All of our employees are eligible to participate if we employ them for more than 20 hours per week and for more than five months per year. Eligible employees may begin participating in the 2013 ESPP at the start of any offering period.

Offering Periods. Each offering period will last a number of months determined by the compensation committee, not to exceed 27 months. A new offering period will begin periodically, as determined by the compensation committee. Offering periods may overlap or may be consecutive. Unless otherwise determined by the compensation committee, two offering periods of six months' duration will begin each fiscal year on May 1 and November 1. However, the first offering period will start on the effective date of the registration statement related to this offering and will end on April 30, 2014, with the first purchase date occurring on April 30, 2014.

Amount of Contributions. Our 2013 ESPP permits each eligible employee to purchase common stock through payroll deductions. Each employee's payroll deductions may not exceed 15% of the employee's cash compensation. Each participant may purchase up to the number of shares determined by our board of directors on any purchase date, not to exceed _____ shares. Each participant may not hold rights to purchase stock under our 2013 ESPP that would accrue at a rate that exceeds \$25,000 worth of our stock for each calendar year that the rights remain outstanding. Participants may withdraw their contributions at any time before stock is purchased.

Purchase Price. The price of each share of common stock purchased under our 2013 ESPP will be the lower of:

- 85% of the fair market value per share of our common stock on the first day of the applicable offering period or, in the case of the first offering period, 85% of the fair market value per share of our common stock as of the effective date of the registration statement of which this prospectus is a part (which is the price at which one share of common stock is offered to the public in this offering); and
- 85% of the fair market value per share of common stock on the purchase date.

Other Provisions. Employees may end their participation in the 2013 ESPP at any time. Participation ends automatically upon termination of employment with the company. If a change in control occurs and the acquirer does not continue or assume the 2013 ESPP, our 2013 ESPP will terminate and shares will be purchased with the payroll deductions accumulated to date by participating employees. Our board of directors or the compensation committee may amend or terminate the 2013 ESPP at any time. If we increase the number of shares of common stock reserved for issuance under the 2013 ESPP, except for the automatic increases described above, then we must seek the approval of our stockholders. The 2013 ESPP will terminate automatically 20 years after its adoption by our board of directors, unless it is extended by our board of directors and such extension is approved by our stockholders within 12 months thereafter.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2012 to which we have been a party, in which the amount involved exceeded or will exceed the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two years, and in which any of our directors, executive officers or beneficial owners of more than five percent of our convertible preferred stock or common stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest, other than compensation, termination and change-in-control arrangements.

All of the transactions set forth below were approved by a majority of our board of directors, including a majority of the independent and disinterested members of our board of directors. We believe that we have executed all of the transactions set forth below on terms no less favorable to us than we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates are approved by the audit committee and a majority of the members of our board of directors, including a majority of the independent and disinterested members of our board of directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

Series A and Series A-1 Financings

On July 20, 2012, we entered into a stock purchase agreement with investors, including certain of our existing stockholders at the time who were represented by members of our board of directors, including ProChon Holdings, BV, Altima Restructure Fund Limited (or its predecessor entities), entities affiliated with Boston Millennia Partners and Foundation Medical Partners II, L.P. (Series A Purchase Agreement), to raise up to \$49.0 million through the sale of shares of our Series A convertible preferred stock, \$0.001 par value per share (Series A Preferred Stock), at a purchase price of \$1.00 per share (Series A Financing). In order to consummate the Series A Financing, we were required to effect a recapitalization pursuant to which Histogenics Finance Corporation, a Delaware corporation (Finance Corp), was formed and subsequently merged into our company (Recapitalization). Further, as described below, certain outstanding convertible promissory notes were converted into shares of Series A Preferred Stock or common stock. Pursuant to the Recapitalization and the Series A Purchase Agreement, the investors received the right to purchase shares of Finance Corp's Series A Preferred Stock. In addition, the investors agreed to purchase additional shares of our Series A Preferred Stock upon our achievement of certain milestones, as described below.

The Recapitalization

Pursuant to the Recapitalization, which was effected on July 20, 2012, each outstanding share of Finance Corp's common stock and all shares of our common stock and Series A Preferred Stock, and any options and warrants with respect to such shares, outstanding immediately prior to the closing of the Recapitalization were cancelled without consideration. All of the accrued interest on our convertible notes issued in the aggregate principal amount of \$12.0 million pursuant to a note purchase agreement dated as of May 13, 2011 was cancelled, and the outstanding principal amount was converted into 6,250,001 shares of our common stock. All of the accrued interest on our convertible notes issued in the aggregate principal amount of \$5.95 million pursuant to a note purchase agreement dated as of January 16, 2012 was cancelled, and the outstanding principal amount was converted into 5,950,000 shares of our Series A Preferred Stock and warrants to purchase an aggregate of 107,613 shares of our common stock. Each right to purchase shares of Finance Corp's Series A Preferred Stock was converted into a right to purchase shares of our Series A Preferred Stock at a price of \$1.00 per share and a warrant to purchase 0.018085922 shares of our common stock at an exercise price of \$0.07.

The Series A Purchase Agreement

Upon entry into the Series A Purchase Agreement, we issued an aggregate of 28,602,031 shares of Series A Preferred Stock for an aggregate consideration of \$28.6 million, which included the conversion of certain convertible promissory notes. Prior to being amended and restated, as described below, the Series A Purchase Agreement also provided for the purchase and sale of 20,547,968 additional shares of Series A Preferred Stock (Milestone Shares) to the investors in the Series A Financing upon the completion of certain milestones

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(Milestone Closing). The achievement of the following milestones was necessary for the Milestone Closing to occur: (1) 85% of the 245 patients in the NeoCart Phase 3 clinical trial must be enrolled; (2) 125 of such patients must reach the one-year end point in the NeoCart Phase 3 clinical trial; and (3) analysis indicating that NeoCart is likely to be approved by the FDA must be obtained (collectively, Milestones). Further, we were required to provide notice of the achievement of the Milestones to the investors in the Series A Financing, and the holders of at least a majority of the issued and outstanding Series A Preferred Stock purchased in the initial closing under the Series A Purchase Agreement must agree that the Milestones were met or waive the Milestones. The Series A Purchase Agreement also provided that each individual investor under the Series A Purchase Agreement could, in its sole discretion, waive the Milestones and purchase such investor's share of the Milestone Shares at any time without obligating other investors to purchase their share of the Milestone Shares. The obligation to effect the Milestone Closing was to terminate upon the completion of an initial public offering, but the provisions relating to the Milestone Closing and the Milestone Shares were removed in connection with the Series A-1 Financing, as described below.

Rakin Stock Purchase Agreement

On October 31, 2012, our board of directors appointed Kevin Rakin to our board of directors. In connection with his appointment, we entered into a stock purchase agreement with Mr. Rakin pursuant to which Mr. Rakin purchased 150,000 shares of Series A Preferred Stock at a purchase price of \$1.00 per share and a warrant exercisable for \$0.07 per share to purchase up to 2,264 shares of our common stock (Rakin Stock Purchase Agreement), for an aggregate purchase price of \$150,000. Pursuant to the Rakin Stock Purchase Agreement, Mr. Rakin also became a party to the Investors' Rights Agreement and the Stockholders' Agreement described below.

The Series A-1 Financing

On December 18, 2013, we amended and restated the Series A Purchase Agreement in order to, among other matters, waive the Milestones and raise an additional \$10.3 million (Series A-1 Financing) from the sale of 10,323,988 shares of our Series A-1 preferred stock, \$0.001 par value per share (Series A-1 Preferred Stock and, together with Series A Preferred Stock, Preferred Stock) to our existing investors from the Series A Financing investors, including certain of our existing stockholders who were represented by members of our board of directors, including ProChon Holdings, BV, Sofinnova Venture Partners VIII, L.P. and Split Rock Partners II, LP. The amended and restated Series A Purchase Agreement also provides for the purchase and sale of 10,323,980 additional shares of Series A-1 Preferred Stock (Conditional Shares) to the investors in the Series A-1 Financing upon the completion of certain conditions (Conditional Closing). The achievement of the following conditions was necessary for the Conditional Closing to occur: (1) we receive the approval of a majority of the members of our board of directors; (2) there not be an initial public offering of our common stock; (3) we have less than two million dollars in cash or cash equivalents; (4) five new patients be enrolled in our NeoCart Phase 3 clinical trial prior to June 2014; and (5) that no material adverse effect have occurred since December 18, 2013. The obligation to effect the Conditional Closing terminates upon the completion of this offering.

In connection with the Series A-1 Financing, we entered into a Royalty Agreement to pay to each of the purchasers of shares of our Preferred Stock and the common stock issuable upon the conversion thereof (Net Sales Payment Recipients) a payment equal to, in the aggregate, three percent of Net Sales (as defined below) during such calendar year (Net Sales Payment). The purchasers of Series A Preferred Stock were previously entitled to a payment equal to, in the aggregate, two percent of Net Sales during such calendar year. The Net Sales Payment is to be distributed among the Net Sales Payment Recipients pro rata based on percentages set forth in the Royalty Agreement. Pursuant to the Royalty Agreement, Net Sales means the gross amount received by us for or on account of sales of our products less: (1) amounts repaid or credited by reason of actual rejection or return of applicable products; (2) reasonable and customary trade, quantity or cash rebates or discounts to the extent allowed and taken; (3) amounts for outbound transportation, insurance, handling and shipping; and (4) taxes, customs duties and other governmental charges levied on or measured by sales of products, as adjusted for rebates and refunds. Excluded from Net Sales are amounts attributable to any sale of any product between or among us and any of our affiliates or subsidiaries.

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At the election of the majority of the Net Sales Payment Recipients (Majority Recipients), all or a portion of the Net Sales Payments will be redeemed by us. The Majority Recipients can elect (Election) to have each Net Sales percentage point redeemed for \$10.0 million payable in cash or shares of our common stock. Cash payments will be subject to our ability to make such payments out of funds legally available under Delaware law. Subject to the foregoing, redemption would occur within 45 days following an Election. The Majority Recipients may make an Election any time after January 1, 2017 and prior to January 1, 2019, but each Election must be at least six months apart. Each redemption of a Net Sales percentage point will reduce by a percentage point the royalty rate used to calculate the Net Sales Payment Recipients' share of Net Sales based on the sales of our products. Once all three percentage points have been redeemed, the right of the Net Sales Payment Recipients to receive the Net Sales Payments will automatically terminate.

The right of the Net Sales Payment Recipients to receive the Net Sales Payments will continue after this offering and is personal to each Net Sales Payment Recipient such that the sale of the Net Sales Payment Recipient's Preferred Stock or underlying common stock will not transfer with such sale, but will remain with such Net Sales Payment Recipient.

Also in connection with the Series A-1 Financing, our amended and restated Series A Purchase Agreement, along with several other escrow agreements executed therewith, provides for the escrowing of certain shares of our capital stock that will be sufficient to satisfy the obligations of certain of our stockholders under that certain agreement with Purpose Co., Ltd. (f/k/a Takagi Sangyo Co. Ltd. and f/k/a Takagi Industrial Co., Ltd.) (Purpose) dated June 22, 2012 (Purpose Agreement).

The following table summarizes the purchases of our Preferred Stock and common stock by the beneficial holders of more than five percent of our capital stock or entities affiliated with them (excluding any issued and outstanding warrants to purchase our common stock):

<u>Name of Stockholder</u>	<u>Histogenics Director</u>	<u>Number of Series A Preferred Stock Shares⁽¹⁾</u>	<u>Number of Series A-1 Preferred Stock Shares</u>	<u>Number of Common Stock Shares⁽¹⁾</u>	<u>Aggregate Purchase Price⁽²⁾</u>
Altima Restructure Fund Limited	—	1,715,453	635,027	833,542	\$ 3,198,305
Entities affiliated with Boston Millennia Partners	—	1,253,670	447,741	1,129,792	\$ 2,850,563
ProChon Holdings BV	Michael Lewis	6,663,563	2,464,643	3,125,000	\$ 12,306,758
Sofinnova Venture Partners VIII, L.P. ⁽³⁾	—	8,750,000	3,125,000	—	\$ 11,875,000
Split Rock Partners II, LP	Joshua Baltzell	5,833,333	2,083,334	—	\$ 7,916,667

⁽¹⁾ Includes shares issued upon the conversion of certain convertible promissory notes then outstanding, for which the converted principal and accrued interest are included in the aggregate purchase price.

⁽²⁾ Excludes the consideration paid for any warrants.

⁽³⁾ Garheng Kong, M.D., Ph.D. was a managing member of the general partner of Sofinnova Venture Partners VIII, L.P. and is the current director designated by Sofinnova Venture Partners VIII, L.P. However, Dr. Kong is no longer a managing member of the general partner of Sofinnova Venture Partners VIII, L.P. and as such no longer has any voting or dispositive power over the shares owned by Sofinnova Venture Partners VIII, L.P.

ProChon Biotech Ltd. Acquisition Obligations

In May 2011, ProChon Biotech Ltd. (ProChon), an Israeli corporation, became our wholly owned subsidiary (ProChon Acquisition). As part of the transactions surrounding the ProChon Acquisition, we (as the successor in interest to ProChon) and ProChon Holdings BV (ProChon BV), a current stockholder, entered into an agreement with Professor Avner Yayon (Yayon Agreement). Under the Yayon Agreement, ProChon BV is obligated to transfer to Professor Yayon a number of shares equal to 1.5% of our issued and outstanding capital stock from its

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own holdings immediately prior to the completion of this offering. Pursuant to the Yayon Agreement we are not obligated to issue any additional shares of our common stock in this offering. Upon completion of this offering, all obligations of ProChon BV under the Yayon Agreement will be satisfied in full.

Investors' Rights Agreement

On December 18, 2013, we entered into a second amended and restated investors' rights agreement (Investors' Rights Agreement) with the purchasers of our outstanding Preferred Stock, including certain of our existing stockholders who were represented by members of our board of directors, including ProChon Holdings, BV, Sofinnova Venture Partners VIII, L.P. and Split Rock Partners II, L.P. Under this agreement, we granted information and inspection rights that will terminate upon the closing of this offering. In addition, the holders of 38,926,019 shares of our common stock as of May 1, 2014, including the shares of common stock issuable upon automatic conversion of our Preferred Stock, who are parties to the Investors' Rights Agreement are provided rights to demand registration of shares of common stock issuable upon conversion of their preferred stock and to participate in a registration of our common stock that we may decide to do, from time to time. These registration rights will survive this offering and will terminate no later than the fifth anniversary of this offering. These demand registration rights, however, may not be exercised until six months after the completion of this offering. Certain of the shares subject to this agreement are held by affiliates of certain of our directors and by holders of five percent of our capital stock. For more information regarding the Investors' Rights Agreement, see "Description of Capital Stock—Registration Rights."

Stockholders' Agreement

On December 18, 2013, we entered into a second amended and restated stockholders' agreement (Stockholders' Agreement) with certain holders of our common stock and Preferred Stock, including certain of our existing stockholders who were represented by members of our board of directors, including ProChon Holdings, BV, Sofinnova Venture Partners VIII, L.P. and Split Rock Partners II, L.P. Under the terms of the Stockholders' Agreement, the parties have agreed, subject to certain conditions, to vote their shares so as to elect as directors the nominees designated by certain of our investors, including Sofinnova Venture Partners VIII, L.P., which has designated Garheng Kong, Ph.D., M.D., Split Rock Partners II, L.P., which has designated Joshua Baltzell, and certain other investors (including ProChon Holdings BV), which have designated Michael Lewis. In addition, the majority of the foregoing designated directors have the right to designate a director and have designated John H. Johnson. In addition, the parties to the Stockholders' Agreement have agreed to vote their shares so as to elect to our board of directors our Chief Executive Officer and additional at-large directors nominated by the holders of our common stock and the holders of our Preferred Stock, voting together as a single class, which is currently vacant. The Stockholders' Agreement also provides for rights of first refusal and co-sale relating to the shares of our common stock and common stock issuable upon conversion of the shares of Preferred Stock held by the parties thereto. The Stockholders' Agreement will terminate immediately prior to the completion of this offering.

In addition, the Stockholders' Agreement contains provisions relating to the obligation of certain of our stockholders pursuant to the Purpose Agreement. Under the Purpose Agreement, if we were to enter into a merger, reorganization or consolidation in which our stockholders, prior to such event, do not retain a majority of the voting power in the surviving corporation, or a sale or exclusive license of all or substantially all of our assets or intellectual property, then, upon the closing of such event of liquidation, we or our stockholders will pay Purpose 7.8125% of the net proceeds of the event (Purpose Obligation). If we undertake an initial public offering of our common stock instead of undertaking an event of liquidation, then we or our stockholders shall pay the consideration in shares of our common stock. In order to determine the number of shares of our common stock to be issued to Purpose in the event of an initial public offering, pursuant to the Purpose Agreement, we will subtract the transaction costs of the initial public offering, the amount of indebtedness, if any, and the amount and preferences of our preferred stock from the pre-initial public offering value, as determined by our pricing committee. This amount will then be multiplied by 7.8125%, or such lesser amount as determined pursuant to the Purpose Agreement. Pursuant to the Stockholders' Agreement, certain of our stockholders have agreed to satisfy

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the Purpose Obligation by the transfer of shares of our common stock at the time of an event of liquidation or initial public offering.

Indemnification Agreements

We have entered, or will enter, into indemnification agreements with our directors, executive officers and certain key employees. Under these agreements, we agree to indemnify our directors, executive officers and certain key employees against any and all expenses incurred by them in connection with proceedings because of their status as one of our directors, executive officers or key employees to the fullest extent permitted by Delaware law, subject to certain limitations. In addition, these indemnification agreements provide that, to the fullest extent permitted by Delaware law, we will pay for all expenses incurred by our directors, executive officers and certain key employees in connection with a legal proceeding arising out of their service to us.

Policies and Procedures for Related Party Transactions

In November 2013, we adopted a related party transaction policy under which our directors and executive officers, including their immediate family members and affiliates, are not permitted to enter into a related party transaction with us without the prior consent of our audit committee or another independent committee of our board of directors where it is inappropriate for our audit committee to review such transaction due to a conflict of interest. Any request for us to enter into a transaction with an executive officer, director, or any of such persons' immediate family members or affiliates, in which the amount involved exceeds \$120,000 must first be presented to our audit committee for review, consideration and approval. All of our directors and executive officers are required to report to our audit committee any such related party transaction. In approving or rejecting the proposed agreement, our audit committee shall consider the relevant facts and circumstances available and deemed relevant to the audit committee, including costs, and benefits to us, the terms of the transaction, the availability of other sources for comparable services or products and, if applicable, the impact on a director's independence. Our audit committee shall approve only those agreements that, in light of known circumstances, are not inconsistent with our best interests, as our audit committee determines in the good faith exercise of its discretion.

PRINCIPAL STOCKHOLDERS

The following table provides information concerning beneficial ownership of our capital stock as of May 15, 2014, and as adjusted to reflect the sale of the common stock being sold in this offering, by:

- each person, or group of affiliated persons, who is known by us to beneficially own more than five percent of our outstanding common stock (on an as-converted basis);
- each of our named executive officers;
- each of our directors; and
- all of our current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and thus it represents sole or shared voting or investment power with respect to our securities. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days of May 15, 2014, are deemed outstanding and beneficially owned by the person holding such options or warrants for purposes of computing the number of shares and percentage beneficially owned by such person, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated in the footnotes to the below table, and subject to applicable community property laws, the persons or entities named have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them.

The following table lists the percentage of shares beneficially owned before this offering based on 45,344,052 shares of common stock outstanding as of May 15, 2014, which includes 38,926,019 shares of common stock issuable upon the automatic conversion of all outstanding shares of convertible preferred stock upon the closing of this offering, as if the conversion had occurred as of May 15, 2014.

The table also lists the percentage of shares beneficially owned after this offering based on _____ shares of common stock outstanding immediately after the completion of this offering, assuming no exercise of the underwriters' over-allotment option to purchase up to an additional _____ shares of our common stock.

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Unless otherwise indicated, the principal address of each of the stockholders below is c/o Histogenics Corporation, 830 Winter Street, 3rd Floor, Waltham, Massachusetts 02451.

<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned</u>		<u>Percentage of Shares Beneficially Owned</u>	
	<u>Before the Offering</u>	<u>After the Offering⁽¹²⁾</u>	<u>Before the Offering</u>	<u>After the Offering⁽¹²⁾</u>
5% Stockholders				
ProChon Holdings BV ⁽¹⁾ Stonehage SA, Rue du Puit-Godet 12, PO Box 126 2005 Neuchatel Switzerland	12,374,864		27.2%	
Sofinnova Venture Partners VIII, L.P. ⁽²⁾ 2800 Sand Hill Road, Suite 150 Menlo Park, CA 94025	12,032,413		26.4%	
Split Rock Partners II, LP ⁽³⁾ 1600 El Camino Real, Suite 290 Menlo Park, CA 94025	8,021,609		17.6%	
Altima Restructure Fund Limited ⁽⁴⁾ 11 Slingsby Place, 2nd Floor St. Martin's Courtyard WC2E 9AB London United Kingdom	3,215,353		7.1%	
Entities Affiliated with Boston Millennia Partners ⁽⁵⁾ 30 Rowes Wharf, Suite 400 Boston, MA 02110	2,853,757		6.3%	
Directors and Named Executive Officers				
Joshua Baltzell ⁽⁶⁾	8,021,609		17.6%	
John H. Johnson	—	—	—	—
Garheng Kong, M.D., Ph.D.	—	—	—	—
Michael Lewis ⁽⁷⁾	12,374,864		27.2%	
Kevin Rakin ⁽⁸⁾	345,342		*	
Peter Greenleaf ⁽⁹⁾	—	—	—	—
Adam Gridley	—	—	—	—
Stephen Kennedy	—	—	—	—
Nancy Lynch, M.D.	—	—	—	—
Patrick O'Donnell ⁽¹⁰⁾	354,395		*	
All current executive officers and directors as a group (9 persons) ⁽¹¹⁾	20,862,355		46.0%	

* Less than one percent of the outstanding shares of common stock.

⁽¹⁾ Shareholdings consist of 9,128,206 shares of common stock issuable upon conversion of preferred stock, 3,125,000 shares of common stock and a warrant to purchase 121,658 shares of common stock held by ProChon Holdings BV (ProChon Holdings). ProChon Holdings' economic interest is owned in part by a family trust associated with Michael Lewis, who is referenced in footnote 7 below. ProChon Holdings has sole voting and investment power over the shares of capital stock owned.

⁽²⁾ Shareholdings consist of 11,875,000 shares of common stock issuable upon conversion of preferred stock and a warrant to purchase 157,413 shares of common stock held by Sofinnova Venture Partners VIII, L.P. (SVP VIII). Sofinnova Management VIII, L.L.C. (SM VIII) is the general partner of SVP VIII and Anand Mehra, Michael Powell, Srinivas Akkarju and James I. Healy, are the managing members of SM VIII (Managing Members). SVP VIII, SM VIII and the Managing Members may be deemed to have shared voting and dispositive power over the shares owned by SVP VIII. Such persons and entities disclaim beneficial ownership over the shares owned by SVP VIII except to the extent of any pecuniary interest therein.

⁽³⁾ Shareholdings consist of 7,916,667 shares of common stock issuable upon conversion of preferred stock and a warrant to purchase 104,942 shares of common stock. Voting and investment power over the shares is delegated to Split Rock Partners II Management, LLC, the general partner of Split Rock Partners II, LP. Split Rock Partners II Management, LLC has delegated voting and investment decisions to three individuals who require a two-thirds vote to act. Split Rock Partners II Management, LLC disclaims beneficial ownership of the shares except to the extent of any pecuniary interest.

(footnotes continued on following page)

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- (4) Shareholdings consist of 2,350,480 shares of common stock issuable upon conversion of preferred stock, 833,542 shares of common stock and a warrant to purchase 31,331 shares of common stock held by Altima Restructure Fund Limited (ARF). Altima Partners LLP (Altima Partners), a limited liability partnership organized under the laws of England and Wales, which acts as investment advisor to ARF, with respect to the shares of common stock directly beneficially owned by ARF. Mark Donegan, a citizen of the United Kingdom serves as chief investment officer of Altima Partners. Dominic Redfern, a citizen of the United Kingdom serves as a portfolio manager with ARF.
- (5) Shareholdings consist of 1,412,717 shares of common stock issuable upon conversion of preferred stock, 938,090 shares of common stock and a warrant to purchase 18,727 shares of common stock held by Boston Millennia Partners II Limited Partnership; 67,673 shares of common stock issuable upon conversion of preferred stock, 44,937 shares of common stock and a warrant to purchase 897 shares of common stock held by Boston Millennia Partners II-A Limited Partnership; 201,172 shares of common stock issuable upon conversion of preferred stock, 133,585 shares of common stock and a warrant to purchase 2,667 shares of common stock held by Boston Millennia Partners GmbH & Co. KG; 12,703 shares of common stock issuable upon conversion of preferred stock, 8,435 shares of common stock and a warrant to purchase 95 shares of common stock held by Strategic Advisors Fund Limited Partnership; and 7,146 shares of common stock issuable upon conversion of preferred stock, 4,745 shares of common stock and a warrant to purchase 168 shares of common stock held by Boston Millennia Associates II Partnership. The securities owned by entities affiliated with Boston Millennia Partners are subject to the voting and investment control of Glen Partners II Limited Partnership, the sponsor of these entities, or its affiliates.
- (6) Mr. Baltzell is affiliated with Split Rock Partners II, LP. Mr. Baltzell disclaims beneficial ownership of the shares held by the entities affiliated with Split Rock Partners II, LP. referenced in footnote 3 above, except to the extent of his pecuniary interest therein.
- (7) Mr. Lewis has a beneficial interest in certain trusts that own an economic interest in ProChon Holdings BV referenced in footnote 1 above. Mr. Lewis disclaims beneficial ownership of such economic interest.
- (8) Shareholdings include (a) 142,718 shares of restricted common stock that are subject to a right of repurchase by us in the event Mr. Rakin's service terminates prior to vesting of these shares, of which 15,274 shares are or will be vested within 60 days of May 15, 2014, (b) 120,000 shares of common stock issuable upon conversion of preferred stock owned directly by Mr. Rakin, (c) 80,000 shares of common stock issuable upon conversion of preferred stock owned by the Kevin L. Rakin Irrevocable Trust, of which Mr. Rakin disclaims beneficial ownership and (d) a warrant to purchase 2,624 shares of common stock.
- (9) Mr. Greenleaf resigned his employment on February 28, 2014. As of February 28, 2014, Mr. Greenleaf was not vested in any of the options previously granted and such options lapsed per his separation agreement.
- (10) Mr. O'Donnell resigned his employment on March 5, 2013. Shareholdings include 354,395 shares of common stock issuable upon the exercise of options exercisable with 60 days of May 15, 2014.
- (11) Shareholdings include 120,540 shares of common stock issuable upon the exercise of options exercisable within 60 days of May 15, 2014 and 229,224 shares of common stock issuable upon the exercise of warrants exercisable within 60 days of May 15, 2014.
- (12) The following stockholders will deliver the indicated numbers of shares of common stock to Purpose immediately after the effectiveness of this offering, pursuant to obligations under the Purpose Agreement to deliver to Purpose shares of common stock with a value, based upon the initial public offering price of this offering, equal to 7.8125% of the net proceeds of this offering (Consideration). The stockholders named below beneficially own greater than five percent of our outstanding common stock (on an as-converted basis) or are otherwise our affiliates. Stockholders who are not named below beneficially own less than five percent of our outstanding common stock (on an as-converted basis) and are not otherwise our affiliates.

<u>Name of Beneficial Owner</u>	<u>Percentage of Consideration Allocated under Purpose Agreement</u>	<u>Number of Shares of Common Stock Transferred</u>
ProChon Holdings BV	30.94%	
Sofinnova Venture Partners VIII, L.P.	15.86%	
Split Rock Partners II, LP	10.58%	
Altima Restructure Fund Limited	8.14%	
Entities Affiliated with Boston Millennia Partners	9.05%	
Kevin Rakin and Affiliates	0.27%	
Other Stockholders Not Listed Above	25.16%	

DESCRIPTION OF CAPITAL STOCK

General

Following the closing of this offering, our authorized capital stock will consist of _____ shares of common stock, par value \$0.001 per share, and _____ shares of preferred stock, par value \$0.001 per share. The following description summarizes some of the terms of our certificate of incorporation and bylaws. This description does not purport to be complete and is qualified in its entirety by the provisions of our certificate of incorporation and bylaws, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part.

Common Stock

As of May 1, 2014, there were 45,344,052 shares of our common stock outstanding, held of record by 19 stockholders, assuming conversion of all outstanding shares of our Preferred Stock into, and exercise of all outstanding warrants for, shares of common stock immediately prior to the closing of this offering.

Voting Rights. Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of the stockholders, including the election of directors. Our certificate of incorporation and bylaws do not provide for cumulative voting rights. Because of this, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose.

Dividends. Subject to preferences that may be applicable to any then outstanding preferred stock, the holders of our outstanding shares of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. At present, we have no plans to issue dividends. See the section titled "Dividend Policy" above.

Liquidation. In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Other Rights and Preferences. Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Fully Paid and Nonassessable. All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

Preferred Stock

Upon the closing of this offering, we will have no shares of our preferred stock outstanding. Outstanding shares of Series A Preferred Stock will be converted into 28,602,031 shares of common stock and outstanding shares of Series A-1 Preferred Stock will be converted into 10,323,988 shares of common stock immediately prior to the closing of this offering.

Under the terms of our certificate of incorporation, our board of directors is authorized to issue preferred stock in one or more series, to establish the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of such shares and any qualifications, limitations or restrictions thereof. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of our company without further action by the stockholders and may adversely affect the voting and other rights of the

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holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. At present, we have no plans to issue any preferred stock.

Options

As of May 1, 2014, options to purchase 5,292,650 shares of our common stock were outstanding under our 2012 Plan at a weighted-average exercise price of \$0.30 per share, of which 1,001,757 were vested and exercisable as of that date.

Warrants

As of May 1, 2014, warrants to purchase 2,266,841 shares of our common stock were outstanding at an exercise price of \$0.0167 per share.

The warrants issued in connection with the Series A Financing and pursuant to the Rakin Stock Purchase Agreement are exercisable following the occurrence of certain events for an aggregate of up to 516,841 shares of our common stock, at an exercise price of \$0.07 per share (Warrants). The Warrants are exercisable in whole or in part dependent upon the amount of consideration paid to Purpose by the holder of such Warrant. Immediately prior to the closing of this offering, the Warrants will become exercisable for shares of common stock at an exercise price of \$0.07 per share. We expect to enter into an agreement with holders of the Warrants whereby they agree to net exercise the warrants effective and contingent upon the consummation of this offering.

We issued warrants in connection with an amendment to our advisor agreement with Boston Equity Advisors, LLC (BEA) and the Series A Financing to certain BEA affiliates, namely, Arnold Freedman, Mark Butts and Oded Ben-Joseph (BEA Warrants). The BEA Warrants are immediately exercisable for 583,334 shares, 583,333 shares and 583,333 shares, respectively, of our common stock, at an exercise price of \$0.01 per share. Immediately prior to the closing of this offering, these warrants will become exercisable for an aggregate of 1,750,000 shares of common stock at an exercise price of \$0.01 per share. The holders of these warrants entered into an escrow agreement. Pursuant to the escrow agreement, a portion of the warrants will be exercised for _____ shares of our common stock, which assumes an initial offering price of \$ _____, which is the midpoint of the range set forth on the cover of this prospectus. Upon exercise these shares of common stock will then be transferred to Purpose in partial satisfaction of the obligations of BEA and its affiliates to Purpose under the Stockholders' Agreement.

Registration Rights

Demand Registration Rights

Pursuant to the Investors' Rights Agreement, the holders of at least 50% of the registrable shares of our common stock issued or issuable upon conversion of our Preferred Stock can request that we file up to two registration statements registering all or a portion of their registrable shares. As of May 1, 2014, the holders of 38,926,019 shares of our common stock, including shares issuable upon the automatic conversion of our Preferred Stock, have demand registration rights. Under specified circumstances, we also have the right to defer filing of a requested registration statement for a period of not more than 90 days, which right may not be exercised more than once during any period of 12 consecutive months. These registration rights are subject to additional conditions and limitations, including the right of the underwriters to limit the number of shares included in any such registration under certain circumstances.

Form S-3 Registration Rights

Pursuant to the Investors' Rights Agreement, if we are eligible to file a registration statement on Form S-3, the holders of at least ten percent of the registrable shares of common stock issued or issuable upon the conversion of preferred stock have the right to demand that we file additional registration statements, including a shelf registration statement, for such holders on Form S-3.

Piggyback Registration Rights

Pursuant to the Investors' Rights Agreement, whenever we propose to file a registration statement under the Securities Act, other than with respect to a registration related to employee benefit or similar plans, a registration on any form which does not include substantially the same information as would be required to be included in this registration statement, or a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities which are also being registered, the holders of registrable shares of common stock issued or issuable upon conversion of our convertible preferred stock are entitled to notice of the registration and have the right to include their registrable shares in such registration. As of May 1, 2014, the holders of 38,926,019 shares of our common stock, including shares issuable upon the automatic conversion of our Preferred Stock, will be entitled to notice of this registration and will be entitled to include their shares of common stock in the registration statement but we anticipate that such right will be waived prior to this offering. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement.

Expenses of Registration

We are required to pay all expenses relating to any demand, Form S-3 or piggyback registration, other than underwriting discounts and commissions, subject to certain limited exceptions. We will not pay for any expenses of any demand registration if the request is subsequently withdrawn by the holders of a majority of the shares requested to be included in such a registration statement, subject to limited exceptions.

Expiration of Registration Rights

The registration rights described above will expire for each holder upon the earlier of (1) five years after this offering is completed and (2) the closing of a deemed liquidation event as defined in our certificate of incorporation.

Holders of all of our shares with these registration rights have signed or are expected to sign agreements with the underwriters prohibiting the exercise of their registration rights for 180 days following the date of this prospectus. These agreements are described below under "Underwriting."

Other Stockholder Rights

The Stockholders' Agreement provides certain rights of first refusal and co-sale rights to certain of our stockholders. In addition, (1) the Stockholders' Agreement obligates certain of our stockholders regarding the voting of their shares in elections of our directors and provides certain rights of indemnification and (2) certain of our investors are entitled to observer rights pursuant to certain management rights letters that we entered into with such investors. The Stockholders' Agreement and the management rights letters will terminate upon the completion of this offering.

Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

Delaware law, our certificate of incorporation and our bylaws contain provisions that could make the following transactions more difficult: an acquisition of us by means of a tender offer; an acquisition of us by means of a proxy contest or otherwise; or the removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions which provide for payment of a premium over the market price for our shares.

These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of the increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

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Undesignated Preferred Stock

The ability of our board of directors, without action by the stockholders, to issue up to _____ shares of undesignated preferred stock with voting or other rights or preferences as designated by our board of directors could impede the success of any attempt to change control of us. The existence of authorized but unissued shares of preferred stock may have the effect of deferring hostile takeovers or delaying changes in control or management of our company.

Stockholder Action by Written Consent; Stockholder Meetings

Our certificate of incorporation and bylaws eliminate the right of stockholders to act by written consent without a meeting. As a result, a holder controlling a majority of our capital stock would not be able to amend our bylaws or remove directors without holding a meeting of our stockholders called in accordance with our bylaws. Our bylaws provide that a special meeting of stockholders may be called only by our chairman of the board, chief executive officer or president, or by a resolution adopted by a majority of our board of directors. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our bylaws establish advance notice procedures with respect to stockholder proposals to be brought before a stockholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities.

Staggered Board

Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. For more information on the classified board, see “Management—Board of Directors—Classified Board.” This system of electing and removing directors may discourage a third-party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for stockholders to replace a majority of the directors.

Removal of Directors

Our certificate of incorporation provides that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of holders of at least two-thirds of the total voting power of all of our outstanding voting stock then entitled to vote in the election of directors.

Board of Directors Vacancies

Our restated certificate of incorporation and amended and restated bylaws authorize our board of directors to fill vacant directorships. In addition, the number of directors constituting our board of directors is set only by resolution adopted by a majority vote of our entire board of directors. These provisions will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.

Stockholders Not Entitled to Cumulative Voting

Our certificate of incorporation does not permit stockholders to cumulate their votes in the election of directors. Accordingly, the holders of a majority of the outstanding shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they choose, other than any directors that holders of our preferred stock may be entitled to elect.

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Amendment of Charter Provisions

The amendment of any of the above provisions, except for the provision making it possible for our board of directors to issue preferred stock, would require approval by holders of at least two-thirds of the total voting power of all of our outstanding voting stock.

The provisions of Delaware law, our certificate of incorporation and our bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the composition of our board and management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Choice of Forum

Upon the completion of this offering, our restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our restated certificate of incorporation or our amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be Broadridge Financial Solutions, Inc.

NASDAQ Global Market

We have applied to list our common stock on the NASDAQ Global Market under the symbol "HSGX."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales of shares of our common stock in the public market could adversely affect market prices prevailing from time to time. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price of our common stock and our ability to raise equity capital in the future.

Upon completion of this offering, we will have _____ shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option, the conversion of all outstanding shares of preferred stock and no exercise of outstanding options or warrants after March 31, 2014. All of the shares sold in this offering, including any of the shares sold upon the underwriters' exercise of their over-allotment option, will be freely transferable without restriction or registration under the Securities Act, except for any shares purchased by one of our existing "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining shares of common stock existing are "restricted securities" as defined in Rule 144. Restricted securities may be sold in the public market only if registered or if their resale qualifies for an exemption from registration under Rules 144 or 701 of the Securities Act.

As a result of the contractual 180-day lock-up period described below and the provisions of Rules 144 and 701, these shares will be available for sale in the public market as follows:

- no restricted shares will be eligible for sale in the public market immediately upon completion of this offering; and
- _____ shares will be eligible for sale in the public market beginning 180 days from the date of this prospectus (subject, in some cases, to volume limitations), upon the expiration of the 180-day lock-up and market standoff agreements entered into prior to our initial public offering and the lapse of our right of repurchase with respect to any unvested shares, if applicable.

Lock-up Agreements

We, all of our directors and officers and all of our other stockholders have agreed not to sell or otherwise transfer or dispose of any of our securities for a period of 180 days from the date of this prospectus, subject to certain exceptions. Cowen and Company LLC, as representative of the several underwriters, may permit early releases of shares subject to the lock-up agreements. See "Underwriting" for a description of the lock-up provisions.

Rule 144

In general, a person who has beneficially owned our restricted common shares for at least six months would be entitled to sell their securities subject only to the availability of current public information about us and subject to the lock-up agreements described above, provided that (1) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale, and (2) we are subject to the Securities Exchange Act periodic reporting requirements for at least 90 days before the sale. In addition, under Rule 144, any person who is not an affiliate of ours and has beneficially owned their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell such shares immediately upon the closing of this offering without regard to whether current public information about us is available. Persons who have beneficially owned restricted common shares for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell, upon expiration of the lock-up agreements described above, within any three-month period only a number of shares that does not exceed the greater of either of the following:

- one percent of the number of common shares then outstanding, which will equal approximately _____ shares immediately after this offering assuming no exercise of the underwriters' option to purchase additional shares, based on the number of common shares outstanding as of March 31, 2014; or

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- the average weekly trading volume of our common shares during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we are subject to the Securities Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by a person selling shares on behalf of our affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

Rule 701

In general, Rule 701 permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions, including the holding period requirement, of Rule 144. Any employee, officer or director of or consultant to us who purchased shares under a written compensatory plan or contract before the date of this prospectus may be entitled to rely on the resale provisions of Rule 701. Rule 701 permits affiliates to sell their shares acquired pursuant to Rule 701 under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell such shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. All holders of shares issued under Rule 701 are required to wait until 90 days after the date of this prospectus before selling such shares. All Rule 701 shares are, however, subject to lock-up agreements and will only become eligible for sale upon the expiration of these lock-up agreements.

Registration Rights

Upon completion of this offering, the holders of 38,926,019 shares of our common stock and the holders of warrants to purchase up to 2,266,841 shares of our common stock have the right to have their shares registered under the Securities Act. See the “Description of Capital Stock – Registration Rights.” All such shares are covered by lock-up agreements. Following the expiration of the lock-up period, registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by our affiliates.

Equity Plan

We intend to file with the SEC one or more registration statements on Form S-8 under the Securities Act to register all shares of common stock subject to outstanding stock options and common stock issued or issuable under our stock plans. We expect to file the registration statement covering shares offered pursuant to our stock plans shortly after the date of this prospectus, permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market subject to compliance with the resale provisions of Rule 144 but subject in each case to compliance with the lock-up agreements described above.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of the material U.S. federal income tax consequences of the purchase, ownership and disposition of our common stock as of the date hereof.

This discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (Code), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, possibly with retroactive effect, or subject to different interpretations. This discussion is limited to persons who hold shares of our common stock as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). Moreover, this discussion does not address all the U.S. federal income tax consequences and does not address foreign, state, local, estate (except to the extent specifically provided herein) or other tax considerations that may be relevant to you in light of your personal circumstances. This discussion does not address special situations, including those of: brokers or dealers in securities; regulated investment companies; real estate investment trusts; persons holding common stock as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle; traders in securities that elect to use a mark-to-market method of accounting for their securities holdings; persons liable for alternative minimum tax; persons whose “functional currency” is not the U.S. dollar; investors in pass-through entities (such as a partnership); persons who acquired our common stock through the exercise of employee stock options or otherwise as compensation; U.S. expatriates, “controlled foreign corporations,” “passive foreign investment companies,” financial institutions, insurance companies, tax-exempt organizations, or entities or arrangements treated as partnerships or other pass-through entities for U.S. federal income tax purposes.

If you are a partnership holding our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our common stock, you should consult your tax advisor.

EACH PROSPECTIVE PURCHASER IS ADVISED TO CONSULT A TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME, ESTATE AND OTHER TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF OUR COMMON STOCK.

Consequences to United States Holders

The following is a summary of the U.S. federal income tax consequences that will apply to you if you are a United States Holder of shares of our common stock. A “United States Holder” of common stock means a beneficial owner of common stock that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

Distributions on Common Stock

In general, if you receive a distribution with respect to our common stock, such distributions will be treated as a dividend to the extent of our current and accumulated earnings and profits as determined for U.S. federal income tax purposes. Any portion of a distribution that exceeds our current and accumulated earnings and profits will first be applied to reduce your tax basis in our common stock and, to the extent such portion exceeds your tax basis, the excess will be treated as gain from the disposition of the common stock, the tax treatment of which is discussed below under “Sale, Exchange or Other Disposition of Common Stock.”

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Under current legislation, dividend income may be taxed to an individual at rates applicable to long term capital gains, provided that a minimum holding period and other limitations and requirements are satisfied. Any dividends that we pay to a United States Holder that is a U.S. corporation will qualify for a deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations equal to a portion of any dividends received, subject to generally applicable limitations on that deduction. In general, a dividend distribution to a corporate United States Holder may qualify for the 70% dividends received deduction if the United States Holder owns less than 20% of the voting power and value of our stock. You should consult your tax advisor regarding the holding period and other requirements that must be satisfied in order to qualify for the dividends-received deduction and the reduced maximum tax rate on dividends.

Sale, Exchange or Other Disposition of Common Stock

You will generally recognize capital gain or loss on a sale, exchange or certain other dispositions of our common stock. Your gain or loss will equal the difference between your amount realized and your tax basis in the stock. Your amount realized will include the amount of any cash and the fair market value of any other property received for the stock. The gain or loss recognized on a sale or exchange of stock will be long-term capital gain or loss if you have held the stock for more than one year. Long-term capital gains of non-corporate taxpayers are generally taxed at lower rates than those applicable to ordinary income. The deductibility of capital losses is subject to certain limitations.

Medicare Contribution Tax

Recently enacted legislation requires certain United States Holders who are individuals, estates or certain trusts to pay a 3.8% tax on the lesser of (1) the United States person's "net investment income" for the relevant taxable year and (2) the excess of the United States person's modified gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000 depending on the individual's circumstances). Net investment income generally includes, among other things, dividends and capital gains from the sale or other dispositions of stock, unless such dividend income or gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A United States Holder that is an individual, estate or trust should consult its tax advisor regarding the applicability of the Medicare tax to its income and gains in respect of its investment in our common stock.

Information Reporting and Backup Withholding

Under certain circumstances, U.S. Treasury regulations require information reporting and backup withholding on certain payments on common stock or on the sale thereof. When required, we will report to the Internal Revenue Service and to each United States Holder the amounts paid on or with respect to our common stock and the U.S. federal withholding tax, if any, withheld from such payments. A United States Holder will be subject to backup withholding on the dividends paid on the common stock and proceeds from the sale of the common stock at the applicable rate if the United States Holder (a) fails to provide us or our paying agent with a correct taxpayer identification number or certification of exempt status (such as a certification of corporate status), (b) has been notified by the Internal Revenue Service that it is subject to backup withholding as a result of the failure to properly report payments of interest or dividends, or (c) in certain circumstances, has failed to certify under penalty of perjury that it is not subject to backup withholding. A United States Holder may be eligible for an exemption from backup withholding by providing a properly completed Internal Revenue Service Form W-9 to us or our paying agent.

Backup withholding does not represent an additional U.S. federal income tax. Any amounts withheld from a payment to a United States Holder under the backup withholding rules will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information or returns are timely furnished by the holder to the Internal Revenue Service.

Consequences to Non-United States Holders

The following is a summary of the U.S. federal income tax consequences that will apply to you if you are a Non-United States Holder of shares of our common stock. A “Non-United States Holder” is a beneficial owner of common stock (other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a United States Holder.

Distributions on Common Stock

If you receive a distribution in respect of shares of our common stock and such distribution is treated as a dividend (see “Consequences to United States Holders – Distributions on Common Stock”), as a Non-United States Holder, you will generally be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. To claim the benefit of a lower rate under an income tax treaty, you must properly file with the payor an Internal Revenue Service Form W-8BEN, or successor form, certifying under penalty of perjury that you are not a United States person (as defined under the Code) and claiming an exemption from or reduction in withholding under the applicable tax treaty. Special certification and other requirements apply to you if you are a pass-through entity rather than a corporation or individual or if our common stock is held through certain foreign intermediaries.

If dividends are considered effectively connected with the conduct of a trade or business by you within the United States and, where a tax treaty applies, are attributable to a U.S. permanent establishment (or, if you are an individual, fixed base) of yours, those dividends will not be subject to withholding tax, but instead will be subject to U.S. federal income tax on a net basis at applicable graduated individual or corporate rates as if you were a United States person (as defined under the Code), unless an applicable income tax treaty provides otherwise, provided an Internal Revenue Service Form W-8ECI, or successor form, is filed with the payor. In addition, if you are required to provide an Internal Revenue Service Form W-8ECI or successor form, as discussed above, you must also provide your tax identification number. If you are a foreign corporation, any effectively connected dividends may, under certain circumstances, be subject to an additional “branch profits tax” at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

If you do not timely provide the relevant paying agent with the required certification but are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

Gain on Disposition of Common Stock

Subject to the discussion below under “Foreign Account Legislation,” as a Non-United States Holder, you generally will not be subject to U.S. federal income tax on any gain recognized on the sale or other disposition of our common stock (including a distribution with respect to our common stock that is treated as a sale or exchange) unless:

- the gain is considered effectively connected with the conduct of a trade or business by you within the United States and, where a tax treaty applies, is attributable to a U.S. permanent establishment (or, if you are an individual, fixed base) of yours, in which case, you will generally be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates as if you were a United States person (as defined in the Code) and, if you are a corporation, you may be subject to an additional branch profits tax equal to 30% or such lower rate as may be specified by an applicable income tax treaty;
- you are an individual who is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions are met, in which case, you will be subject to a 30% (or such lower rate as may be specified by an applicable income tax treaty) tax on the gain derived from the sale, which may be offset by U.S. source capital losses; or
- we are or have been a “United States real property holding corporation” for U.S. federal income tax purposes at any time within the shorter of the five-year period ending on the date of disposition or

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the period you held our common stock. As long as our common stock is regularly traded on an established securities market, within the meaning of section 897(c)(3) of the Code, these rules will apply only if you actually or constructively hold more than 5% of our common stock at any time during the applicable period that is specified in the Code. We believe that we are not currently, and are not likely to become, a United States real property holding corporation.

Information Reporting and Backup Withholding Tax

We must report annually to the Internal Revenue Service and to each of you the amount of dividends paid to you and the tax withheld with respect to those dividends, regardless of whether withholding was required. Copies of the information returns reporting those dividends and withholding may also be made available by the Internal Revenue Service to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty or other applicable agreements.

Backup withholding tax may also apply to dividend payments made to you on or with respect to our common stock unless you certify under penalty of perjury that you are a Non-United States Holder (and we do not have actual knowledge or reason to know that you are a United States person (as defined under the Code)) or you otherwise establish an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through United States-related financial intermediaries unless the beneficial owner certifies under penalty of perjury that it is a Non-United States Holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person (as defined under the Code)) or the holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against your U.S. federal income tax liability provided that the required procedures are followed.

You should consult your tax advisor regarding the application of the information reporting and backup withholding rules to you.

U.S. Federal Estate Taxes

Common stock owned or treated as owned by an individual who is a Non-United States Holder (as specifically defined for U.S. federal estate tax purposes) at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

Foreign Account Legislation

Recently enacted legislation generally will impose a withholding tax of 30% on any dividends on our common stock paid to a "foreign financial institution" as defined in Section 1471(d)(4) of the Code, unless such institution enters into an agreement with the U.S. government to, among other things, collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). The legislation will also generally impose a withholding tax of 30% on any dividends on our common stock paid to a "non-financial foreign entity" as defined in Section 1472(d) of the Code unless such entity provides the withholding agent with either certification that such entity does not have any substantial U.S. owners or identification of the direct and indirect substantial U.S. owners of the entity. Finally, withholding of 30% also generally will apply to the gross proceeds of a disposition of our common stock paid to a foreign financial institution or to a non-financial foreign entity unless the reporting and certification requirements described above have been met. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify the requirements discussed above. Under certain circumstances, a Non-United

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States Holder of our common stock may be eligible for refunds or credits of such taxes. You are encouraged to consult with your own tax advisor regarding the possible implications of this legislation on your investment in our common stock. Under current Treasury Regulations (as modified by recent guidance released by the Internal Revenue Service on July 12, 2013), withholding provisions described above will generally apply to payments of dividends on our common stock made on or after July 1, 2014 and to payments of gross proceeds from a sale or other disposition of such stock on or after January 1, 2017.

UNDERWRITING

Cowen and Company, LLC is acting as representative of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of our common stock set forth opposite its name below.

<u>Name</u>	<u>Number of Shares</u>
Cowen and Company, LLC	
Roth Capital Partners, LLC	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act relating to losses or claims resulting from material misstatements in or omissions from this prospectus, the registration statement of which this prospectus is a part, certain free writing prospectuses that may be used in the offering and in any marketing materials used in connection with this offering and to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representative has advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$ _____ per share. After the initial offering, the public offering price, concession or any other term of this offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

	<u>Per Share</u>	<u>Without Option</u>	<u>With Option</u>
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to Histogenics	\$	\$	\$

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of

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the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representative.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to _____ additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$ _____ million, which includes legal, accounting and printing costs and various other fees associated with the registration and listing of our common stock. We have also agreed to reimburse the underwriters for certain of their expenses in an amount up to \$ _____ as set forth in the underwriting agreement.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by them.

No Sales of Similar Securities

We, our executive officers and directors and our other existing security holders have agreed not to sell or transfer any shares of our common stock or securities convertible into, exchangeable for, exercisable for, or repayable with shares of our common stock, for 180 days after the date of this prospectus without first obtaining the written consent of the representative. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly:

- offer, pledge, announce the intention to sell, sell or contract to sell any shares of our common stock;
- sell any option or contract to purchase any shares of our common stock;
- purchase any option or contract to sell any shares of our common stock;
- grant any option, right or warrant to purchase any shares of our common stock;
- dispose of or otherwise transfer any shares of our common stock;
- demand that we file a registration statement related to our common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any shares of our common stock, whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision also applies to securities convertible into or exchangeable or exercisable for or repayable with shares of our common stock. It also applies to shares of our common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Listing

We have applied to list our common stock on the NASDAQ Global Market under the symbol “HSGX.” In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representative. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representative believes to be comparable to us;
- our financial information;
- the history of, and the prospects for, our company and the industry in which we compete;
- an assessment of our management, its past and present operations and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after this offering the shares will not trade in the public market at or above the initial public offering price.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing shares of our common stock. However, the representative may engage in transactions that stabilize the price of our common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ over-allotment option described above. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. “Naked” short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of shares of our common stock made by the underwriters in the open market prior to the closing of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price

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that might otherwise exist in the open market. The underwriters may conduct these transactions on NASDAQ, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, one or more of the underwriters may facilitate Internet distribution for this offering to certain of their Internet subscription customers. Any such underwriter may allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet websites maintained by any such underwriter. Other than the prospectus in electronic format, the information on the websites of any such underwriter is not part of this prospectus.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Selling Restrictions

European Economic Area

In relation to each country of the EEA that has implemented the Prospectus Directive (each, a Relevant Country) an offer to the public of any shares of our common stock may not be made in that Relevant Country, except that an offer to the public in that Relevant Country of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Country:

- (a) to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Country has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representative for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of our common stock in any Relevant Country means the communication in any form and by any means of sufficient information

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on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Relevant Country by any measure implementing the Prospectus Directive in that Relevant Country, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Country), and includes any relevant implementing measure in the Relevant Country, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

Canada

The common stock may be sold only to purchasers purchasing as principal that are both “accredited investors” as defined in National Instrument 45-106 Prospectus and Registration Exemptions and “permitted clients” as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the common stock must be made in accordance with an exemption from the prospectus requirements and in compliance with the registration requirements of applicable securities laws.

Hong Kong

The common stock may not be offered or sold in Hong Kong by means of any document other than (1) in circumstances that do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), (2) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (3) in other circumstances that do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares of common stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares of common stock that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares of common stock may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (SFA), (2) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

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Where the shares of common stock are subscribed or purchased under Section 275 of the SFA by a relevant person that is:

- (a) a corporation (which is not an accredited investor, as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares of common stock pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than US\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law.

Switzerland

The common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Swiss Exchange Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares of common stock or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, or the shares of common stock have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of common stock will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). Accordingly, no public distribution, offering or advertising, as defined in CISA, its implementing ordinances and notices, and no distribution to any non-qualified investor, as defined in CISA, its implementing ordinances and notices, shall be undertaken in or from Switzerland, and the investor protection afforded to acquirers of interests in collective investment schemes under CISA does not extend to acquirers of common stock.

United Arab Emirates

This offering has not been approved or licensed by the Central Bank of the United Arab Emirates (UAE), Securities and Commodities Authority of the UAE or any other relevant licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial Services Authority (DFSA), a regulatory authority of the Dubai International Financial Centre (DIFC). The offering does not constitute a public offer of securities in the UAE, DIFC or any other free zone in accordance with the Commercial Companies Law, Federal Law No 8 of 1984 (as amended), DFSA Offered Securities Rules and NASDAQ Dubai Listing Rules, accordingly, or otherwise. The common stock may not be offered to the public in the UAE or any of the free zones.

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The common stock may be offered and issued only to a limited number of investors in the UAE or any of its free zones who qualify as sophisticated investors under the relevant laws and regulations of the UAE or the free zone concerned.

France

This prospectus (including any amendment, supplement or replacement thereto) is not being distributed in the context of a public offering in France within the meaning of Article L. 411-1 of the French Monetary and Financial Code (Code monétaire et financier).

This prospectus has not been and will not be submitted to the French Autorité des marchés financiers (AMF) for approval in France and accordingly may not and will not be distributed to the public in France.

Pursuant to Article 211-3 of the AMF General Regulation, French residents are hereby informed that:

- (1) the transaction does not require a prospectus to be submitted for approval to the AMF;
- (2) persons or entities referred to in Point 2°, Section II of Article L.411-2 of the Monetary and Financial Code may take part in the transaction solely for their own account, as provided in Articles D. 411-1, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Monetary and Financial Code; and
- (3) the financial instruments thus acquired cannot be distributed directly or indirectly to the public otherwise than in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the Monetary and Financial Code.

This prospectus is not to be further distributed or reproduced (in whole or in part) in France by the recipients of this prospectus. This prospectus has been distributed on the understanding that such recipients will only participate in the issue or sale of our common stock for their own account and undertake not to transfer, directly or indirectly, our common stock to the public in France, other than in compliance with all applicable laws and regulations and in particular with Articles L. 411-1 and L. 411-2 of the French Monetary and Financial Code.

LEGAL MATTERS

The validity of the common stock being offered will be passed upon for us by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Waltham, Massachusetts. Certain legal matters in connection with this offering will be passed upon for the underwriters by K&L Gates LLP, Boston, Massachusetts.

EXPERTS

The audited financial statements of Histogenics Corporation included in this prospectus and elsewhere in the registration statement have been so included in reliance upon the report of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common stock we are offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits and the consolidated financial statements and notes filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be reviewed for the complete contents of these contracts and documents.

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A copy of the registration statement, including the exhibits and the financial statements and notes filed as a part of the registration statement, may be inspected without charge at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from the SEC upon the payment of fees prescribed by it. You may call the SEC at 1-800-SEC-0330 for more information on the operation of the public reference facilities. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding companies, such as Histogenics, that file electronically with it.

Upon the completion of this offering, we will be subject to the information reporting requirements of the Securities Act and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the public reference room and website of the SEC referred to above. We also maintain a website at www.histogenics.com, at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our common stock.

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Histogenics Corporation
(A Development Stage Company)

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Histogenics Corporation

We have audited the accompanying consolidated balance sheets of Histogenics Corporation (a Delaware corporation operating in the development stage) and subsidiary (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in convertible redeemable preferred stock and stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2013 and for the period from June 28, 2000 (date of inception) to December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Histogenics Corporation and subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended and for the period from June 28, 2000 (date of inception) to December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has recurring significant cash flow deficits from operations and an accumulated deficit as of December 31, 2013, which raises substantial doubt about its ability to continue as a going concern. Management's plans related to these matters are also described in Note 1. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Grant Thornton LLP

Boston, Massachusetts
April 11, 2014

Histogenics Corporation
(A Development Stage Company)

Consolidated Balance Sheets
(In thousands, except share and per share data)

	<u>December 31,</u>		<u>March 31,</u>	<u>Pro Forma</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>March 31,</u>
			<u>(unaudited)</u>	<u>2014</u>
				<u>(unaudited)</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,716	\$ 8,734	\$ 3,360	
Prepaid expenses and other current assets	363	1,612	2,204	
Total current assets	15,079	10,346	5,564	
Property and equipment, net	2,315	2,283	2,250	
Intangible asset	630	570	570	
Noncurrent deferred tax assets, net	2,480	1,058	1,058	
Restricted cash	522	522	522	
Other assets	18	17	17	
Total assets	\$ 21,044	\$ 14,796	\$ 9,981	
LIABILITIES, CONVERTIBLE REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Accounts payable	\$ 1,042	\$ 2,530	\$ 3,164	
Accrued expenses	418	1,035	797	
Current portion of deferred rent	168	168	213	
Current portion of deferred lease incentive	296	296	296	
Deferred tax liabilities, net	2,480	1,058	1,058	
Total current liabilities	4,404	5,087	5,528	
Deferred rent, long-term	551	392	309	
Deferred lease incentive, long-term	1,184	888	814	
Net sales distribution payment liability	—	13,100	13,760	
Warrant liability	129	636	512	
Other liability	4,868	13,176	10,902	
Total liabilities	11,136	33,279	31,825	
Commitments and contingencies (Note 7)				
Convertible redeemable preferred stock (Note 10):				
Series A convertible redeemable preferred stock, \$0.001 par value; authorized shares—28,602,031 at December 31, 2012 and 2013 and at March 31, 2014 (unaudited); issued and outstanding shares—28,602,031 at December 31, 2012 and 2013 and at March 31, 2014 (unaudited); liquidation preference of \$29,619 at December 31, 2012, \$31,989 at December 31, 2013 and \$32,649 at March 31, 2014 (unaudited); no shares issued and outstanding, pro forma (unaudited)	29,619	42,617	42,617	
Series A-1 convertible redeemable preferred stock, \$0.001 par value; authorized shares—none at December 31, 2012 and 20,647,969 at December 31, 2013 and March 31, 2014 (unaudited); issued and outstanding shares—none at December 31, 2012 and 10,323,988 at December 31, 2013 and March 31, 2014 (unaudited); liquidation preference of \$0 at December 31, 2012, \$10,354 at December 31, 2013 and \$10,561 at March 31, 2014 (unaudited); no shares issued and outstanding, pro forma (unaudited)	—	14,454	14,454	
Stockholders' deficit:				
Common stock, \$0.001 par value; authorized shares—65,000,000 at December 31, 2012 and 70,000,000 at December 31, 2013 and March 31, 2014 (unaudited); 6,311,096 shares issued and outstanding at December 31, 2012 and 6,418,033 shares issued and outstanding at December 31, 2013 and March 31, 2014 (unaudited); and issued and outstanding, pro forma (unaudited)	6	6	6	
Additional paid-in capital	65,319	35,188	35,264	
Deficit accumulated during the development stage	(85,036)	(110,748)	(114,185)	
Total stockholders' deficit	(19,711)	(75,554)	(78,915)	
Total liabilities, convertible redeemable preferred stock and stockholders' deficit	\$ 21,044	\$ 14,796	\$ 9,981	

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

Histogenics Corporation
(A Development Stage Company)
Consolidated Statements of Operations
(In thousands, except share and per share data)

	Years Ended December 31,		Three Months Ended March 31,		Period From June 28, 2000 (Date of Inception) to December 31, 2013	Period From June 28, 2000 (Date of Inception) to March 31, 2014 (unaudited)
	2012	2013	2013 (unaudited)	2014 (unaudited)		
Revenue	\$ 26	\$ 8	\$ 5	\$ —	\$ 401	\$ 401
Total revenue	26	8	5	—	401	401
Operating expenses:						
Research and development	11,941	11,946	1,908	3,347	56,680	60,027
Selling, general and administrative	3,053	4,847	905	1,826	37,408	39,234
Impairment of goodwill and intangible assets	—	60	—	—	2,230	2,230
Total operating expenses	14,994	16,853	2,813	5,173	96,318	101,491
Loss from operations	(14,968)	(16,845)	(2,808)	(5,173)	(95,917)	(101,090)
Other (expense) income:						
Interest expense, net	(798)	—	—	—	(5,419)	(5,419)
Other expense, net	(13)	(52)	(15)	(2)	(133)	(135)
Gain on extinguishment of debt	687	—	—	—	687	687
Change in fair value of note payable to shareholder	(17)	—	—	—	(37)	(37)
Change in fair value of warrant liability and other liability	(1,826)	(8,815)	107	1,738	(9,929)	(8,191)
Total other expense, net	(1,967)	(8,867)	92	1,736	(14,831)	(13,095)
Net loss	\$ (16,935)	\$ (25,712)	\$ (2,716)	\$ (3,437)	\$ (110,748)	\$ (114,185)
Earnings (loss) attributable to common stockholders—basic (Note 3)	\$ 2,805	\$ (56,003)	\$ (3,308)	\$ (3,437)		
Earnings (loss) attributable to common stockholders—diluted (Note 3)	\$ 3,402	\$ (56,003)	\$ (3,308)	\$ (3,437)		
Earnings (loss) per common share (Note 3):						
Basic	\$ 1.00	\$ (8.94)	\$ (0.53)	\$ (0.55)		
Diluted	\$ 0.26	\$ (8.94)	\$ (0.53)	\$ (0.55)		
Weighted-average shares used to compute earnings per common share (Note 3):						
Basic	2,818,293	6,264,690	6,250,001	6,290,589		
Diluted	12,898,629	6,264,690	6,250,001	6,290,589		
Pro forma earnings (loss) per common share, basic and diluted (unaudited)	\$	\$	\$	\$		
Weighted-average shares used to compute pro forma net earnings (loss) per common share, basic and diluted (unaudited)						

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

Histogenics Corporation
(A Development Stage Company)

Consolidated Statements of Convertible Redeemable Preferred Stock and Stockholders' Deficit
(In thousands, except share and per share data)

	2005 Series A Convertible Redeemable Preferred Stock \$0.001 Par Value		2006 Series A-1 Convertible Redeemable Preferred Stock \$0.001 Par Value		2008 Series B Convertible Redeemable Preferred Stock \$0.001 Par Value		2011 Series A Convertible Redeemable Preferred Stock \$0.001 Par Value		Series A Convertible Redeemable Preferred Stock \$0.001 Par Value		Series A-1 Convertible Redeemable Preferred Stock \$0.001 Par Value		Class A Common Stock \$0.001 Par Value		Restricted Stock \$0.001 Par Value		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Deficit	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at Inception, June 28, 2000	\$ —	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ —
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	—	—	14,341	—	598	—	10,527	—	—	10,527
Purchase/statutory retirement of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of common stock for services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8	—	—	8
Conversion of common stock to convertible redeemable preferred stock	500	7,500	—	—	—	—	—	—	—	—	—	—	(500)	—	—	—	(7,500)	—	—	(7,500)
Issuance of preferred stock on various dates, net of amounts allocated to issuance costs of \$2,453	167	5,800	2,345	13,376	6,480	8,129	5,362,172	1,573	—	—	—	—	—	—	—	—	(3,299)	—	—	(3,299)
Re-Issuance of 2006 Series A-1 convertible redeemable preferred stock in July 2008	—	—	2,345	8,441	—	—	—	—	—	—	—	—	—	—	—	—	(8,441)	—	—	(8,441)
Issuance of preferred stock upon conversion on notes payable, net of amounts allocated to issuance costs of \$441 in May 2011	—	—	—	—	—	—	10,724,321	15,530	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of warrant in exchange for license	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,088	—	—	1,088
Extinguishment of preferred stock liquidation value on various dates	—	(13,300)	(2,345)	(14,950)	—	—	—	—	—	—	—	—	—	—	—	—	28,250	—	—	28,250
Extinguishment of accrued dividends	—	(1,483)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,483	—	—	1,483
Vesting of restricted common stock	—	—	—	—	—	—	—	—	—	—	—	—	440	—	(440)	—	—	—	—	—
Repurchase of restricted common stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(98)	—	(1)	—	—	(1)
Conversion of convertible redeemable preferred stock to common stock	(667)	(14,988)	(2,345)	(28,546)	(6,480)	(15,608)	—	—	—	—	—	—	17,899	—	—	—	55,790	3,352	—	59,142
Repricing of stock warrant issued for licensing rights	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	163	—	—	163
Recapitalization of equity	—	—	—	—	—	—	—	(12,826)	—	—	—	—	—	—	(60)	—	13,697	—	—	13,697
Accruals of dividends and accretion to redemption value	—	16,471	—	21,679	—	7,479	—	23,892	—	—	—	—	—	—	—	—	(66,169)	(3,352)	—	(69,521)
Beneficial conversion feature	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,040	—	—	1,040
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	421	—	—	421
Net loss during the period from inception to December 31, 2011	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(68,101)	(68,101)

Histogenics Corporation
(A Development Stage Company)

Consolidated Statements of Convertible Redeemable Preferred Stock and Stockholders' Deficit
(In thousands, except share and per share data)

	2005 Series A Convertible Redeemable Preferred Stock \$0.001 Par Value		2006 Series A-1 Convertible Redeemable Preferred Stock \$0.001 Par Value		2008 Series B Convertible Redeemable Preferred Stock \$0.001 Par Value		2011 Series A Convertible Redeemable Preferred Stock \$0.001 Par Value		Series A Convertible Redeemable Preferred Stock \$0.001 Par Value		Series A-1 Convertible Redeemable Preferred Stock \$0.001 Par Value		Class A Common Stock \$0.001 Par Value		Restricted Stock \$0.001 Par Value		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2011	—	—	—	—	—	—	16,086,493	28,169	—	—	—	—	32,180	—	—	—	27,057	(68,101)	(41,044)
Issuance of new Series A convertible redeemable preferred stock, net of amounts allocated to issuance costs and warrants of \$2,146 in July 2012	—	—	—	—	—	—	—	—	22,652,031	20,506	—	—	—	—	—	—	117	—	117
Recapitalization of equity	—	—	—	—	—	—	(16,086,493)	(28,894)	5,950,000	5,950	—	—	6,217,821	6	—	—	42,019	—	42,025
Accruals of dividends and accretion to redemption value	—	—	—	—	—	—	—	725	—	3,163	—	—	—	—	—	—	(3,888)	—	(3,888)
Issuance of restricted common stock in October 2012	—	—	—	—	—	—	—	—	—	—	—	—	—	—	61,095	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14	—	14
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(16,935)	(16,935)
Balance at December 31, 2012	—	—	—	—	—	—	—	—	28,602,031	29,619	—	—	6,250,001	6	61,095	—	65,319	(85,036)	(19,711)
Accruals of dividends and accretion to redemption value	—	—	—	—	—	—	—	—	—	2,291	—	—	—	—	—	—	(2,291)	—	(2,291)
Extinguishment of Series A convertible redeemable preferred stock	—	—	—	—	—	—	—	—	(28,602,031)	(31,910)	—	—	—	—	—	—	(28,000)	—	(28,000)
Reissuance of Series A convertible redeemable preferred stock	—	—	—	—	—	—	—	—	28,602,031	42,617	—	—	—	—	—	—	—	—	—
Issuance of Series A-1 convertible redeemable preferred stock, net of issuance costs of \$63	—	—	—	—	—	—	—	—	—	—	10,323,988	14,454	—	—	—	—	—	—	—
Issuance of restricted common stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	81,623	—	—	—	—
Vesting of restricted stock	—	—	—	—	—	—	—	—	—	—	—	—	15,274	—	(15,274)	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	158	—	158
Exercise of common stock options	—	—	—	—	—	—	—	—	—	—	—	—	25,314	—	—	—	2	—	2
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(25,712)	(25,712)
Balance at December 31, 2013	—	—	—	—	—	—	—	—	28,602,031	42,617	10,323,988	14,454	6,290,589	6	127,444	—	35,188	(110,748)	(75,554)
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	76	—	76
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,437)	(3,437)
Balance at March 31, 2014 (unaudited)	—	\$ —	—	\$ —	—	\$ —	—	\$ —	28,602,031	\$ 42,617	10,323,988	\$ 14,454	6,290,589	\$ 6	127,444	\$ —	\$ 35,264	\$ (114,185)	\$ (78,915)

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

Histogenics Corporation
(A Development Stage Company)
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,		Three Months Ended March 31,		Period From June 28, 2000 (Date of Inception) to December 31, 2013	Period From June 28, 2000 (Date of Inception) to March 31, 2014 (unaudited)
	2012	2013	2013 (unaudited)	2014 (unaudited)		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net loss	\$(16,935)	\$(25,712)	\$ (2,716)	\$ (3,437)	\$ (110,748)	\$ (114,185)
Adjustments to reconcile net loss to net cash used in operating activities:						
Depreciation	638	566	124	153	5,759	5,912
Deferred rent and lease incentive	(464)	(455)	(74)	(74)	(1,486)	(1,560)
Impairment of goodwill and intangible asset	—	60	—	—	2,230	2,230
Loss on sale of property and equipment	—	20	20	—	8	8
Stock-based compensation	14	158	10	76	593	669
Non-cash interest expense	—	—	—	—	206	206
Write-off of shareholder note receivable	—	—	—	—	100	100
Change in fair value of note payable to stockholder	17	—	—	—	37	37
Gain on extinguishment of debt	(687)	—	—	—	(687)	(687)
Non-cash consideration for licensed technology	3,115	—	—	—	4,367	4,367
Change in fair value of liabilities	1,826	8,815	(107)	(1,738)	9,929	8,191
Amortization of deferred financing costs	196	—	(34)	(38)	919	881
Amortization of debt discount	—	—	—	—	1,936	1,936
Issuance of stock for services	—	—	—	—	8	8
Other non-cash items	—	—	—	—	9	9
Changes in operating assets and liabilities:						
Prepaid expenses and other current assets	230	(156)	98	243	(340)	(97)
Other non-current assets	41	1	(67)	—	(538)	(538)
Accounts payable	(228)	804	126	34	5	39
Accrued expenses	5	617	(139)	(238)	2,797	2,559
Net cash used in operating activities	<u>(12,232)</u>	<u>(15,282)</u>	<u>(2,759)</u>	<u>(5,019)</u>	<u>(84,896)</u>	<u>(89,915)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of property and equipment	(79)	(604)	(51)	(120)	(4,611)	(4,731)
Proceeds from sale of property and equipment	—	50	50	—	68	68
Advances on shareholder notes receivable	—	—	—	—	(100)	(100)
Cash acquired during ProChon acquisition	—	—	—	—	1,318	1,318
Net cash used in investing activities	<u>(79)</u>	<u>(554)</u>	<u>(1)</u>	<u>(120)</u>	<u>(3,325)</u>	<u>(3,445)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from the issuance of term note	—	—	—	—	1,500	1,500
Borrowings under equipment term loan	—	—	—	—	1,400	1,400
Repayments of term note and equipment term loan	—	—	—	—	(2,900)	(2,900)
Issuance of Series A convertible promissory notes	—	—	—	—	14,387	14,387
Issuance of Series B convertible promissory notes	59	—	—	—	12,000	12,000
Issuance of Series A-1 convertible promissory notes	5,950	—	—	—	5,950	5,950
Issuance of common stock to investors	—	—	—	—	10,525	10,525
Issuance of 2005 Series A preferred stock	—	—	—	—	2,500	2,500
Issuance of 2006 Series A-1 preferred stock, net of issuance costs of \$1,574	—	—	—	—	13,628	13,628
Issuance of 2008 Series B preferred stock, net of issuance costs of \$879	—	—	—	—	8,351	8,351
Issuance of Series A preferred stock, net of issuance costs of \$1,973	20,679	—	—	—	20,679	20,679
Issuance of Series A-1 preferred stock, net of issuance costs of \$63	—	10,261	—	—	10,261	10,261

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	Years Ended December 31,		Three Months Ended March 31,		Period From June 28, 2000 (Date of Inception) to December 31, 2013	Period From June 28, 2000 (Date of Inception) to March 31, 2014
	2012	2013	2013 (unaudited)	2014 (unaudited)		(unaudited)
Costs associated with Initial Public Offering	—	(409)	—	(235)	(409)	(644)
Deferred financing costs	—	—	—	—	(919)	(919)
Proceeds from the exercise of common stock options	—	2	—	—	2	2
Net cash provided by (used in) financing activities	26,688	9,854	—	(235)	96,955	96,720
Net increase (decrease) in cash and cash equivalents	14,377	(5,982)	(2,760)	(5,374)	8,734	3,360
Cash and cash equivalents—Beginning of period	339	14,716	14,716	8,734	—	—
Cash and cash equivalents—End of period	<u>\$ 14,716</u>	<u>\$ 8,734</u>	<u>\$ 11,956</u>	<u>\$ 3,360</u>	<u>\$ 8,734</u>	<u>\$ 3,360</u>
Supplemental disclosure of noncash investing and financing activities						
Conversion of common stock to 2005 Series A preferred stock	\$ —	\$ —	\$ —	\$ —	\$ 7,500	\$ 7,500
Conversions of preferred stock into common stock	\$ —	\$ —	\$ —	\$ —	\$ 59,142	\$ 59,142
Recapitalization	\$ 42,025	\$ —	\$ —	\$ —	\$ 55,722	\$ 55,722
Warrant issued to an advisor in connection with the issuance of Series A Preferred Stock	\$ 117	\$ —	\$ —	\$ —	\$ 117	\$ 117
Warrants issued to investors in connection with the issuance of Series A Preferred Stock	\$ 56	\$ —	\$ —	\$ —	\$ 56	\$ 56
Accretion of dividends and redemption value on convertible preferred stock	\$ 3,888	\$ 2,291	\$ 592	\$ —	\$ 75,700	\$ 75,700
Conversion of convertible notes payable and accrued interest into preferred stock	\$ 19,081	\$ —	\$ —	\$ —	\$ 35,052	\$ 35,052
Issuance of 2011 Series A Preferred Stock and common stock to acquire ProChon	\$ —	\$ —	\$ —	\$ —	\$ 1,574	\$ 1,574
Issuance of a note payable as part of the consideration to acquire ProChon	\$ —	\$ —	\$ —	\$ —	\$ 650	\$ 650
Extinguishment of Series A Preferred Stock (Note 10)	\$ —	\$ 28,000	\$ —	\$ —	\$ 28,000	\$ 28,000
Leasehold improvements acquired through lease incentive	\$ —	\$ —	\$ —	\$ —	\$ 3,184	\$ 3,184

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

Histogenics Corporation
(A Development Stage Company)
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(In thousands, except share and per share data)

1. NATURE OF BUSINESS

Organization

Histogenics Corporation (the “Company”) was incorporated under the laws of the Commonwealth of Massachusetts on June 28, 2000 and has its principal operations in Waltham, Massachusetts. In 2006, the Company’s board of directors approved a corporate reorganization pursuant to which the Company incorporated as a Delaware corporation. The Company is a regenerative medicine company engaged in developing and commercializing products in the musculoskeletal segment of the marketplace. The Company combines cell therapy and tissue engineering technologies to develop products for tissue repair and regeneration focusing on patients suffering from particular cartilage-derived pain and immobility. The Company is developing technology and products to reverse or prevent cartilage damage, including NeoCart for the repair of cartilage lesions. NeoCart is currently in a Phase 3 clinical trial in the United States under a special protocol assessment with the U.S. Food and Drug Administration (“FDA”) for the treatment of knee cartilage damage.

On May 13, 2011, the Company completed the acquisition of ProChon Biotech Ltd. (“ProChon”), a privately-held biotechnology company focused on modulating the fibroblast growth factor system to enable it to create more effective solutions for tissue regeneration. ProChon’s products combine cell regeneration technologies with proprietary growth factors and biocompatible scaffolds to restore injured or chronically damaged tissues to normal. The acquisition of ProChon provides the Company with access to a significant portfolio of intellectual property, including proprietary cell growth factors, in addition to furthering opportunities for the use of biomaterials to create more effective solutions for regenerating human tissue. In the aggregate, the fair value of the consideration paid to acquire ProChon was \$2,224. The acquisition led to goodwill and intangible assets including IPR&D and a licensing agreement which have been impaired as discussed in Note 2.

Since its inception, the Company has devoted substantially all of its efforts to product development, recruiting management and technical staff, raising capital, starting up production and building infrastructure and has not generated revenues from its planned principal operations. In addition, expenses have primarily been for research and development and administrative costs. As a result, the Company is considered a development stage company.

The Company is subject to a number of risks similar to other entities in the development stage. The developmental nature of its activities is such that significant inherent risks exist in the Company’s operations. Principal among these risks are the successful development of therapeutics, protection of proprietary therapeutics, compliance with government regulations, ability to obtain adequate financing, fluctuations in operating results, dependence on key personnel and collaborative partners, adoption of the Company’s products by the physician community, rapid technological changes inherent in the markets targeted, and substitute products and competition from larger companies.

Basis of Accounting

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The consolidated financial statements include the accounts of Histogenics Corporation and its wholly-owned subsidiary, ProChon. All significant intercompany accounts and transactions are eliminated in consolidation.

Going Concern Uncertainty

The revenue and income potential of the Company’s business and market are unproven. The Company has experienced net losses and negative cash flows from operating activities since its inception, and as of

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December 31, 2012 and 2013 and March 31, 2014, had a deficit accumulated during the development stage of \$85,036, \$110,748 and \$114,185, respectively. The Company expects to continue to incur net losses in the foreseeable future. A successful transition to attaining profitable operations is dependent upon achieving a level of revenues adequate to support the Company's cost structure.

On various dates in July and November 2012, the Company received \$20,679 in net proceeds from the first tranche of the Series A Convertible Redeemable Preferred Stock ("Series A Preferred") financing. Upon the achievement of certain milestones (as described in Note 10) or the vote of at least a majority of the holders of the outstanding shares, the Company may be able to obtain funding in the form of future tranches of Series A Preferred of \$20,648. As described in further detail in Note 10, on December 18, 2013, the Company entered into an Amended and Restated Series A and A-1 Preferred Stock Purchase Agreement and received \$10,324, half of the \$20,648 noted above, from the sale of Series A-1 Preferred Stock ("Series A-1 Preferred"). Subject to the Company's achievement of certain milestones or the approval of at least a majority of the holders of the outstanding Series A Preferred and Series A-1 Preferred shares to waive such milestone conditions, investors committed to invest the remaining \$10,324 from the sale of Series A-1 Preferred Stock, to close no later than December 31, 2014. As of March 31, 2014, the Company will continue to rely on external sources of funding for its operations for the foreseeable future. These sources of funding would primarily include public and private equity and debt offerings. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs, including clinical trials. Any of these actions could materially harm the Company's business, results of operations, and future prospects. Even if the Company is able to raise additional capital, such financings may only be available on unfavorable terms, or could result in significant dilution of stockholders' interests.

The Company's recurring losses from operations and negative cash flows raise substantial doubt about its ability to continue as a going concern. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company may never become profitable, or if it does, it may not be able to sustain profitability on a recurring basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the Company's consolidated financial statements requires it to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the Company's consolidated financial statements and accompanying notes. The most significant estimates in the Company's consolidated financial statements relate to the valuation of equity awards, fair value estimates of warrant liabilities and derivatives, net sales distribution payment liability, purchase price allocations, estimated useful lives of fixed assets and intangible assets and accruals relating to clinical trials. The Company bases estimates and assumptions on historical experience when available and on various factors that it believes to be reasonable under the circumstances. The Company evaluates its estimates and assumptions on an ongoing basis. The Company's actual results may differ from these estimates under different assumptions or conditions.

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Foreign Currency Translation

The Company's consolidated financial statements are prepared in U.S. dollars. The Company's foreign subsidiary uses the U.S. dollar as its functional and reporting currency, as management determined that the U.S. dollar is the primary currency of the economic environment in which the subsidiary operates. When transactions are required to be paid in the local currency of the foreign subsidiary, any resulting foreign currency transaction gain or loss is recorded as a component of "Other expense, net" in the consolidated statements of operations.

Reverse Stock Split

Effective May 13, 2011, the Company's board of directors voted to approve a 1-for-15,000 reverse stock split. Accordingly, all historical share and per share amounts in the consolidated financial statements have been retroactively adjusted for all periods presented to give effect to a 1-for-15,000 reverse stock split of all of the Company's capital stock, including reclassifying an amount equal to the reduction in par value as a result of the decreased shares to additional paid-in capital.

Unaudited Interim Financial Information

The accompanying interim consolidated balance sheet as of March 31, 2014, the consolidated statements of operations and consolidated statements of cash flows for the three months ended March 31, 2013 and 2014 and the period from June 28, 2000 (inception) to March 31, 2014, the consolidated statements of convertible redeemable preferred stock and stockholders' deficit for the three months ended March 31, 2014 and the related footnote disclosures are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP. In management's opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments (including normal recurring adjustments) necessary for the fair presentation of the Company's financial position as of March 31, 2014 and its results of operations and its cash flows for the three months ended March 31, 2013 and 2014 and the period from June 28, 2000 (inception) to March 31, 2014. The results for the three months ended March 31, 2014 are not necessarily indicative of the results expected for the full fiscal year or any other interim period.

Unaudited Pro Forma Balance Sheet and Earnings (Loss) per Share Information

The unaudited pro forma consolidated balance sheet information as of March 31, 2014 assumes the conversion of all outstanding shares of convertible redeemable preferred stock into shares of the Company's common stock, assuming an initial public offering, or IPO, price of \$ per share (the mid-point of the price range set forth on the cover of this prospectus). The pro forma consolidated balance sheet was prepared as though the completion of the IPO contemplated by this prospectus had occurred on March 31, 2014. Shares of common stock issued in such IPO and any related net proceeds are excluded from the pro forma information.

Unaudited pro forma earnings (loss) per share applicable to common stockholders is computed using the weighted-average number of common shares outstanding after giving effect to the conversion of all the outstanding convertible redeemable preferred stock into shares of common stock as if such conversion had occurred at the beginning of the period presented, or the date of original issuance, if later, and excludes the gain on extinguishment of preferred stock and the accretion of dividends.

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Segment and Geographic Information

Operating segments are defined as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker (“CODM”) or decision-making group in making decisions regarding resource allocation and assessing performance. The Company operates in two geographic regions: the United States (Waltham, Massachusetts) and Israel (Tel Aviv) and views its operations as two operating segments: Histogenics Corporation (United States) and ProChon (Israel) as the CODM reviews separate discrete financial information in making decisions regarding resource allocations and assessing performance. Operating segments that have similar economic characteristics can be aggregated. As the nature of the products, customers, and methods to distribute products are the same and the nature of the regulatory environment, the production processes and historical and estimated future margins are similar, the two operating segments have been aggregated into one reporting segment as they have similar economic characteristics.

Information about the Company’s operations in different geographic regions is presented in the tables below:

	<u>Years Ended December 31,</u>		<u>Three Months Ended</u> <u>March 31,</u>		<u>Period from</u> <u>June 28, 2000</u> <u>(Inception) to</u> <u>December 31, 2013</u>	<u>Period from</u> <u>June 28, 2000</u> <u>(Inception) to</u> <u>March 31, 2014</u>
	<u>2012</u>	<u>2013</u>	<u>2013</u> <u>(unaudited)</u>	<u>2014</u> <u>(unaudited)</u>		<u>(unaudited)</u>
Revenues:						
United States	\$ —	\$ —	\$ —	\$ —	\$ 244	\$ 244
Israel	26	8	5	—	157	157
Total Revenues	<u>\$ 26</u>	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 401</u>	<u>\$ 401</u>
					<u>As of December 31,</u>	<u>As of March 31,</u>
					<u>2012</u>	<u>2013</u>
Long-lived assets:						<u>(unaudited)</u>
United States			\$2,179	\$2,266	\$ 2,234	
Israel			136	17	16	
Total long-lived assets			<u>\$2,315</u>	<u>\$2,283</u>	<u>\$ 2,250</u>	

Fair Value Measurements

The carrying amounts reported in the Company’s consolidated financial statements for cash and cash equivalents, accounts payable and accrued liabilities approximate their respective fair values because of the short-term nature of these accounts.

Fair value is defined as the price that would be received if selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair value should be based on the assumptions that market participants would use when pricing an asset or liability and is based on a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Company’s assumptions (unobservable inputs). Fair value measurements should be

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disclosed separately by level within the fair value hierarchy. 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 established fair value hierarchy.

Fair value measurements for assets and liabilities where there exists limited or no observable market data are based primarily upon estimates, and often are 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 valuation 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.

Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as assets held for sale and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1), and the lowest priority to unobservable inputs (Level 3). The Company's financial assets are classified within the fair value hierarchy based on the lowest level of inputs that is significant to the fair value measurement. The three levels of the fair value hierarchy, and its applicability to the Company's financial assets, are described below.

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets.

Level 2: Quoted prices for similar assets, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3: Pricing inputs are unobservable for the assets, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the assets. Level 3 includes private investments that are supported by little or no market activity.

Level 3 valuations are for instruments that are not traded in active markets or are subject to transfer restrictions and may be adjusted to reflect illiquidity and/or non-transferability, with such adjustment generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

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 Company had no assets or liabilities classified as Level 1 or Level 2 as of December 31, 2012 and 2013 and March 31, 2014 other than the money market fund described in the "Cash and Cash Equivalents" section below and there were no material re-measurements of fair value with respect to financial assets and liabilities, during the periods presented, other than those assets and liabilities that are measured at fair value on a recurring basis.

Transfers are calculated on values as of the transfer date. There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2012 and 2013 and the three months ended March 31, 2014.

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The Company has liabilities classified as Level 3 that are measured by management at fair value on a quarterly basis as described in Note 9.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentration of credit risk, consist primarily of cash and cash equivalents. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. The Company has no financial instruments with off-balance sheet risk of loss.

Cash and Cash Equivalents

Cash and cash equivalents include cash in readily available checking and savings accounts and money market funds. The Company considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

The Company's cash equivalents, which consist of money market funds, are measured at fair value on a recurring basis. As of December 31, 2012 and 2013 and March 31, 2014, the carrying amount of cash and cash equivalents was \$14,716, \$8,734 and \$3,360, respectively, which approximates fair value and was determined based upon Level 1 inputs. Money market funds are valued using quoted market prices with no valuation adjustments applied. Accordingly, these securities are categorized as Level 1.

Business Combinations

The Company assigns the value of the consideration transferred to acquire or merge with a business to the tangible assets and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. The Company assesses the fair value of assets, including intangible assets, using a variety of methods, including present-value models. Each asset is measured at fair value from the perspective of a market participant. Transaction costs and restructuring costs associated with the transaction are expensed as incurred. Consideration transferred is measured on the date of the transaction. The consideration transferred in excess of the fair value of the assets acquired less the fair value of the liabilities assumed, if any, is recorded as goodwill on the Company's balance sheet. In the event the fair value of the assets acquired less the fair value of the liabilities assumed exceeds the value of the consideration transferred, a bargain purchase would be deemed to have occurred and a gain would be recorded on the Company's statement of operations.

Property and Equipment

Property and equipment are recorded at historical cost. Costs for capital assets not yet placed into service are capitalized as construction in progress, and will be depreciated in accordance with the below guidelines once placed into service. Maintenance and repair costs are expensed as incurred. Costs which materially improve or

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extend the lives of existing assets are capitalized. The Company provides for depreciation and amortization using the straight-line method over the estimated useful lives of the assets, which are as follows:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Office equipment	3 to 5 years
Laboratory equipment	3 to 5 years
Leasehold improvements	Shorter of the remaining lease term or useful life

Upon retirement or sale, the cost of assets disposed and the related accumulated depreciation is removed from the accounts and any resulting gain or loss is recorded in the consolidated statements of operations.

Impairment of Long-Lived Assets

Long-lived assets consist primarily of property and equipment and identifiable intangible assets. When impairment indicators exist, the Company's management evaluates long-lived assets for potential impairment. An impairment loss is recorded if and when events and circumstances indicate that assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. While the Company's current and historical operating losses and negative cash flows are indicators of impairment, management believes that future cash flows to be received support the carrying value of its long-lived assets and, accordingly, has not recognized any impairment losses since inception, other than the write-off of an intangible asset as discussed in the "Intangible Asset" section below.

Impairments, if any, are recognized in earnings. An impairment loss would be recognized in an amount equal to the excess of the carrying amount over the undiscounted expected future cash flows.

Goodwill

Goodwill is recorded when the consideration paid for a business acquisition exceeds the fair value of net tangible and identifiable intangible assets acquired. Goodwill and other intangible assets with indefinite useful lives are not amortized, but rather tested annually on December 31, for impairment or more frequently if indicators are present or changes in circumstances suggest that impairment may exist.

Goodwill could be impaired due to market conditions, reduced expected future cash flows, or other factors or events. Should the fair value of goodwill at the measurement date fall below its carrying value, a charge for impairment of goodwill could occur in that period. Impairment is assessed at the reporting unit level using a two-step approach. The first step of the impairment test involves comparing the fair value of the reporting unit with its aggregate carrying values, including goodwill. Management determines the fair value of a reporting unit using the income approach methodology of valuation that includes the multiple period discounting method as well as other generally accepted valuation methodologies. If the carrying amount of the reporting unit exceeds the reporting unit's fair value, management performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the reporting unit's goodwill with the carrying value of that goodwill.

For the year ended December 31, 2011 the Company had recorded a goodwill impairment charge of \$1,840 in the ProChon operating segment.

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Intangible Assets

As part of the ProChon acquisition, the Company acquired a license agreement that ProChon entered into with AT Grade S.R.L. (“AT Grade”) in 2010. In December 2011, the Company and AT Grade determined that the licensing agreement relationship was no longer part of their strategic programs and the Company evaluated the licensing agreement for impairment. As a result of the impairment test, the Company recorded an impairment charge of \$330 in the consolidated statement of operations for the year ended December 31, 2011, leaving the license agreement with a net book value of \$0. The Company and AT Grade agreed to formally terminate the license agreement in March 2012.

As of December 31, 2012 and 2013 and March 31, 2014, the Company’s intangible asset consists of acquired in-process research and development (“IPR&D”) obtained through the acquisition of ProChon. IPR&D represents the fair value assigned to research and development assets that have not been completed at the date of acquisition. The value assigned to acquired IPR&D is determined by estimating the costs to develop the acquired technology into commercially viable products, estimating the resulting revenue from the projects, and discounting the net cash flows to present value. The revenue and costs projections used to value acquired IPR&D were, as applicable, reduced based on the probability of success of developing a new product. Additionally, the projections considered the relevant market sizes and growth factors, expected trends in technology and the nature and expected timing of new product introductions by the Company and its competitors. The rates utilized to discount the net cash flows to their present value were commensurate with the stage of development of the projects and uncertainties in the economic estimates used in the projections described above.

IPR&D is considered an indefinite-lived intangible asset and is assessed for impairment annually or more frequently if impairment indicators exist. When performing the impairment assessment, the Company first assesses qualitative factors to determine whether it is necessary to recalculate the fair value of its acquired IPR&D. If the Company believes, as a result of the qualitative assessment, that it is more likely than not that the fair value of acquired IPR&D is less than its carrying amount, it calculates the fair value using the same methodology as described above. If the carrying value of the Company’s acquired IPR&D exceeds its fair value, then the intangible asset is written-down to its fair value. For the year ended December 31, 2013, the Company determined that there was no impairment of its IPR&D.

The Company performed its annual impairment test of its IPR&D as of December 31, 2013 using an income approach, including a discount rate of 14%, applied to probability-adjusted after-tax cash flows. The Company believes that the assumptions are representative of those a market participant would use in estimating the fair value of the IPR&D. The Company also notes that the pursuit of the underlying IPR&D has been delayed because the Company’s core focus has been on the development of NeoCart. The results of the impairment test indicated a decline in the fair market value of the IPR&D and an impairment charge of \$60 was required for the year ended December 31, 2013. As the Company’s core focus has been on the development of NeoCart, there is a risk of further impairment in the near future.

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Intangible assets, net of accumulated amortization and impairment charges, are summarized as follows:

	As of December 31, 2012			As of December 31, 2013			As of March 31, 2014		
	Cost	Accumulated Amortization and Impairments	Net Book Value	Cost	Accumulated Amortization and Impairments	Net Book Value	Cost	Accumulated Amortization and Impairments (unaudited)	Net Book Value
IPR&D	\$630	\$ —	\$ 630	\$630	\$ (60)	\$ 570	\$570	\$ —	\$ 570
	<u>\$630</u>	<u>\$ —</u>	<u>\$ 630</u>	<u>\$630</u>	<u>\$ (60)</u>	<u>\$ 570</u>	<u>\$570</u>	<u>\$ —</u>	<u>\$ 570</u>

Initial Public Offering Costs

The Company defers direct incremental costs attributable with the initial public offering (“IPO”) of its common stock. These costs represent legal, accounting and other direct costs related to the Company’s efforts to raise capital through a public sale of its common stock. Future costs will be deferred until the completion of the IPO, at which time they will be reclassified to additional paid-in capital as a reduction of the IPO proceeds. If the Company terminates its plan for an IPO or delays such plan for more than 90 days, any costs deferred will be expensed immediately. As of December 31, 2013, IPO costs were \$1,093 and are included in prepaid expenses and other assets in the consolidated balance sheet. Of the \$1,093 in IPO costs, the Company has paid \$409 with the remaining \$684 included in accounts payable in the consolidated balance sheet. As of March 31, 2014, IPO costs were \$1,928 and are included in prepaid expenses and other assets in the consolidated balance sheet. Of the \$1,928 in IPO costs, the Company has paid \$644 with the remaining \$1,284 included in accounts payable in the consolidated balance sheet.

Restricted Cash

Restricted cash represents cash held in a depository account at a financial institution to collateralize a conditional stand-by letter of credit related to the Company’s Waltham, Massachusetts facility lease agreement. Restricted cash is reported as non-current unless the restrictions are expected to be released in the next twelve months.

Deferred Rent

Deferred rent consists of the difference between cash payments and the recognition of rent expense on a straight-line basis for the facilities the Company occupies. The Company’s lease for its Waltham, Massachusetts facility provides for fixed increases in minimum annual rental payments. The total amount of rental payments due over the lease term is being charged to rent expense ratably over the life of the lease.

Convertible Redeemable Preferred Stock

The Company classifies convertible redeemable preferred stock that is redeemable outside of the Company’s control outside of permanent equity. The Company recorded such redeemable preferred stock at fair value upon issuance, net of any issuance costs or discounts, and the carrying value is being increased by periodic accretion to its redemption value up to the date the preferred stock is determined to be redeemable. In the absence of retained earnings these accretion charges are recorded against additional paid in capital, if any, and then to accumulated deficit.

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Financial Instruments Indexed to and Potentially Settled in the Company's Common Stock

The Company evaluates all financial instruments issued in connection with its equity offerings when determining the proper accounting treatment for such instruments in the Company's financial statements. The Company considers a number of generally accepted accounting principles under U.S. GAAP to determine such treatment and evaluates the features of the instrument to determine the appropriate accounting treatment. The Company utilizes the Probability Weighted Expected Return Method ("PWERM"), Option Pricing Model ("OM") or other appropriate methods to determine the fair value of its derivative financial instruments. For financial instruments indexed to and potentially settled in the Company's common stock that are determined to be classified as liabilities on the consolidated balance sheet, changes in fair value are recorded as a gain or loss in the Company's consolidated statement of operations with the corresponding amount recorded as an adjustment to the liability on its consolidated balance sheet.

Revenue Recognition

The Company's revenue has principally consisted of BioCart product revenue in Israel, collaboration revenue from a license agreement with AT Grade and government grant funding received from the Internal Revenue Service ("IRS") as a qualifying therapeutic discovery project ("QTDP") credit pursuant to the Patient Protection and Affordable Care Act. The Company's license and collaboration agreement contains multiple elements, all of which are accounted for as collaboration revenue. The Company recognizes revenue when all four of the following criteria are met: (1) persuasive evidence that an agreement exists; (2) delivery of the products and/or services has occurred; (3) the selling price is fixed or determinable; and (4) collectability is reasonably assured. Revenues consisted of the following:

	<u>Years Ended</u> <u>December 31,</u>		<u>Three Months Ended</u> <u>March 31,</u>		<u>Period from</u> <u>June 28, 2000</u> <u>(Inception) to</u> <u>December 31, 2013</u>	<u>Period from</u> <u>June 28, 2000</u> <u>(Inception) to</u> <u>March 31, 2014</u>
	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Revenues:			<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	
Collaboration Revenue	\$ 26	\$ 8	\$ 5	\$ —	\$ 104	\$ 104
Product Revenue	—	—	—	—	53	53
Grant Revenue	—	—	—	—	244	244
Total Revenues	<u>\$ 26</u>	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 401</u>	<u>\$ 401</u>

Product Revenue

The Company generated product revenue through the commercial sale of BioCart in Israel. Revenue from sales of BioCart is recognized when the product has been delivered and all obligations have been satisfied.

Collaboration Revenue

The Company entered into a collaborative arrangement for the exclusive right to produce, use, and market BioCart in Italy. The terms of this agreement included multiple deliverables by the Company (including license rights, and research and development services) in exchange for consideration to the Company for a combination of diligence milestone payments, minimum royalty payments and royalties for commercial activity in Italy.

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Multiple-deliverable arrangements, such as license and development agreements, are analyzed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting. When deliverables are separable, consideration received is allocated to the separate units of accounting based on the relative selling price method and the appropriate revenue recognition principles are applied to each unit. When the Company determines that an arrangement should be accounted for as a single unit of accounting, it must determine the period over which the performance obligations will be performed and revenue will be recognized.

The assessment of multiple-deliverable arrangements requires judgment in order to determine the appropriate unit of accounting, the estimated selling price of each unit of accounting and the point in time that, or period over which, revenue should be recognized.

The Company recognizes revenue from milestone payments when earned, provided that (1) the milestone event is substantive in that it can only be achieved based in whole or in part on either the Company's performance or on the occurrence of a specific outcome resulting from the Company's performance and its achievability was not reasonably assured at the inception of the agreement; (2) the Company does not have ongoing performance obligations related to the achievement of the milestone; and (3) it would result in the receipt of additional payments. A milestone payment is considered substantive if all of the following conditions are met: (a) the milestone payment is non-refundable; (b) achievement of the milestone was not reasonably assured at the inception of the arrangement; (c) substantive effort is involved to achieve the milestone; and (d) the amount of the milestone payment appears reasonable in relation to the effort expended, the other milestones in the arrangement and the related risk associated with the achievement of the milestone.

Collaboration arrangements providing for payments to the Company upon the achievement of research and development milestones generally involve substantial uncertainty as to whether any such milestone would be achieved. In the event a milestone is considered to be substantive, the Company expects to recognize future payments as revenue in connection with the milestone as it is achieved. Collaboration arrangements providing for payments to the Company upon the achievement of milestones that are solely contingent upon the performance of a collaborator also involve substantial uncertainty as to whether any such milestone would be achieved. For such contingent milestones, even if they do not meet the definition of a substantive milestone, since they are based solely upon a collaborator's effort, the Company expects to recognize future payments as revenue when earned under the applicable arrangement, provided that collection is reasonably assured.

Government Grant Revenue

Under the Patient Protection and Affordable Care Act, the Company received government grant revenue in 2010 as a QTDP. Under section 48(D)(c)(1) of the Code, a QTDP is a tax benefit in the form of a credit or a grant targeted to therapeutic discovery projects that show a reasonable potential to treat areas of unmet medical need, reduce the cost of health care or advance the goal of curing cancer within 30 years. Revenue from government grants is recorded on a gross basis when awarded by the IRS in accordance with the terms of the grant award.

Research and Development Costs

Research and development costs are charged to expense as incurred. These costs include, but are not limited to: license fees related to the acquisition of in-licensed products; employee-related expenses, including salaries, benefits and travel; expenses incurred under agreements with contract research organizations and investigative sites that conduct clinical trials and preclinical studies; the cost of acquiring, developing and manufacturing

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clinical trial materials; facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other supplies; and costs associated with preclinical activities and regulatory operations.

Costs for certain development activities, such as clinical trials, are recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations, or information provided to the Company by its vendors with respect to their actual costs incurred. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the consolidated financial statements as prepaid or accrued research and development expense, as the case may be.

License Agreements

Costs associated with licenses of technology are expensed as incurred and are included in research and development expenses.

Patent Costs

Costs related to filing and pursuing patent applications are recorded as selling, general and administrative expense as incurred since the recoverability of such expenditures is uncertain.

Stock-Based Compensation

The Company accounts for grants of stock options and restricted stock based on their grant date fair value and recognizes compensation expense over their vesting period. The Company estimates the fair value of stock options as of the date of grant using the Black-Scholes option pricing model and restricted stock based on the fair value of the underlying common stock as determined by management or the value of the services provided, whichever is more readily determinable.

Stock-based compensation expense represents the cost of the grant date fair value of employee stock option grants recognized over the requisite service period of the awards (usually the vesting period) on a straight-line basis, net of estimated forfeitures. The expense is adjusted for actual forfeitures at year end. Stock-based compensation expense recognized in the consolidated financial statements is based on awards that are ultimately expected to vest.

For stock option grants with performance-based milestones, the expense is recorded over the remaining service period after the point when the achievement of the milestone is probable or the performance condition has been achieved. For stock option grants with both performance-based milestones and market conditions, expense is recorded over the derived service period after the point when the achievement of the performance-based milestone is probable or the performance condition has been achieved. The Company did not issue any performance-based or awards with market conditions from its inception through March 31, 2014.

The Company accounts for stock options and restricted stock awards to non-employees using the fair value approach. Stock options and restricted stock awards to non-employees are subject to periodic revaluation over their vesting terms.

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Income Taxes

The Company accounts for income taxes under the liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes net deferred tax assets to the extent that the Company believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If management determines that the Company would be able to realize its deferred tax assets in the future, in excess of its net recorded amount, management would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) management determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more likely than not recognition threshold, management recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense. Any accrued interest and penalties are included within the related tax liability.

Earnings (Loss) per Common Share

Earnings (loss) per common share is calculated using the two-class method, which is an earnings allocation formula that determines earnings (loss) per share for the holders of the Company's common shares and participating securities. All series of preferred stock contain participation rights in any dividend paid by the Company and are deemed to be participating securities. Earnings available to common stockholders and participating convertible redeemable preferred shares is allocated to each share on an as-converted basis as if all of the earnings for the period had been distributed. The participating securities do not include a contractual obligation to share in losses of the Company and are not included in the calculation of net loss per share in the periods that have a net loss.

Diluted earnings per share is computed using the more dilutive of (a) the two-class method, or (b) the if-converted method. The Company allocates earnings first to preferred stockholders based on dividend rights and then to common and preferred stockholders based on ownership interests. The weighted-average number of common shares included in the computation of diluted earnings (loss) gives effect to all potentially dilutive common equivalent shares, including outstanding stock options, warrants, convertible redeemable preferred stock and the potential issuance of stock upon the conversion of the Company's convertible notes. Common stock equivalent shares are excluded from the computation of diluted earnings (loss) per share if their effect is antidilutive.

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Recently Adopted Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board issued guidance that eliminates diversity in practice surrounding the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An entity is required to net an unrecognized tax benefit with a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if the carryforward would be used to settle additional tax due upon disallowance of a tax position. The Company's adoption of this guidance on January 1, 2014 is not expected to have a material impact on the consolidated financial statements.

3. EARNINGS (LOSS) PER COMMON SHARE

Basic and diluted earnings (loss) per common share are calculated as follows:

	<u>Years Ended December 31,</u>		<u>Three Months Ended March 31,</u>	
	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
			<u>(unaudited)</u>	<u>(unaudited)</u>
Numerator:				
Net loss	\$ (16,935)	\$ (25,712)	\$ (2,716)	\$ (3,437)
Recapitalization (Note 10)	41,588	—	—	—
Extinguishment of Series A Preferred Stock (Note 10)	—	(28,000)	—	—
Accruals of dividends and accretion to redemption value of preferred stock	(3,888)	(2,291)	(592)	—
Loss (earnings) attributable to participating restricted stock and preferred stock shareholders	(17,960)	—	—	—
Earnings (loss) attributable to common stockholders—basic	2,805	(56,003)	(3,308)	(3,437)
Effect of convertible notes	597	—	—	—
Earnings (loss) attributable to common stockholders—diluted	<u>\$ 3,402</u>	<u>\$ (56,003)</u>	<u>\$ (3,308)</u>	<u>\$ (3,437)</u>
Denominator:				
Weighted-average number of common shares used in earnings (loss) per share—basic	2,818,293	6,264,690	6,250,001	6,290,589
Effect of dilutive convertible redeemable preferred stock	612,388	—	—	—
Effect of convertible notes	8,691,636	—	—	—
Effect of warrants to purchase common stock	776,312	—	—	—
Weighted-average number of common shares used in earnings (loss) per share—diluted	<u>12,898,629</u>	<u>6,264,690</u>	<u>6,250,001</u>	<u>6,290,589</u>
Earnings (loss) per share—basic	\$ 1.00	\$ (8.94)	\$ (0.53)	\$ (0.55)
Effect of convertible preferred stock dividends	(0.12)	—	—	—
Effect of convertible notes	(0.40)	—	—	—
Effect of warrants to purchase common stock	(0.22)	—	—	—
Earnings (loss) per share—diluted	<u>\$ 0.26</u>	<u>\$ (8.94)</u>	<u>\$ (0.53)</u>	<u>\$ (0.55)</u>

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The following potentially dilutive securities have been excluded from the computation of diluted weighted-average shares outstanding, as they would be anti-dilutive (in common stock equivalent shares):

	<u>Years Ended December 31,</u>		<u>Three Months Ended March 31,</u>	
	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
			(unaudited)	(unaudited)
Convertible redeemable preferred stock and dividends	—	38,926,019	28,602,031	38,926,019
Restricted stock and options to purchase common stock	1,054,702	5,414,588	3,461,923	3,108,634
Warrants	—	1,750,000	1,750,000	1,750,000

The Company also had certain warrants and other liabilities outstanding as of December 31, 2012 and 2013 and March 31, 2013 and 2014 which could obligate the Company and/or its stockholders to issue shares of common stock upon the occurrence of various future events at prices and in amounts that are not determinable until the occurrence of those future events. For the year ended December 31, 2013 and as of March 31, 2013 and 2014, these included the net sales distribution payment liability. See Note 9, “Warrants, Other Liability and Net Sales Distribution Payment Liability” for additional details. Because the necessary conditions for the conversion or exercise of these instruments had not been satisfied as of December 31, 2012 and 2013 and March 31, 2013 and 2014, the Company has excluded these instruments from the table above and the calculation of diluted net income per share for those periods.

The equity-classified warrants, which were issued on July 20, 2012 and are immediately exercisable into 1,750,000 shares of common stock, are included in the calculation of diluted earnings per share for the year ended December 31, 2012. They were included in the table above for the year ended December 31, 2013 and three months ended March 31, 2013 and 2014 because they would be anti-dilutive for this period. See Note 9, “Warrants, Other Liability and Net Sales Distribution Payment Liability,” for additional details.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	<u>As of December 31,</u>		<u>As of March 31,</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>
			(unaudited)
Employee benefits	\$ 200	\$ —	\$ —
Deposits	10	290	234
Undelivered laboratory and office equipment	—	57	9
Insurance	23	11	10
IPO costs	—	1,093	1,928
Prepaid rent	—	128	4
Other current assets	130	33	19
Prepaid expenses and other current assets	<u>\$ 363</u>	<u>\$ 1,612</u>	<u>\$ 2,204</u>

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5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>As of December 31,</u>		<u>As of March 31,</u> <u>2014</u> <u>(unaudited)</u>
	<u>2012</u>	<u>2013</u>	
Office equipment	\$ 454	\$ 460	\$ 464
Laboratory equipment	1,644	1,838	1,926
Leasehold improvements	5,364	5,489	5,489
Construction in progress	—	145	145
Software	—	—	29
Total property and equipment	7,462	7,932	8,053
Less: accumulated depreciation	(5,147)	(5,649)	(5,803)
Property and equipment, net	<u>\$ 2,315</u>	<u>\$ 2,283</u>	<u>\$ 2,250</u>

Depreciation expense related to property and equipment amounted to \$638, \$566, \$124, \$153, \$5,759 and \$5,912 for the years ended December 31, 2012 and 2013, three months ended March 31, 2013 and 2014, and the period from June 28, 2000 (inception) to December 31, 2013 and March 31, 2014, respectively.

6. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	<u>As of December 31,</u>		<u>As of March 31,</u> <u>2014</u> <u>(unaudited)</u>
	<u>2012</u>	<u>2013</u>	
Accrued compensation	\$ 320	\$ 128	\$ 175
Accrued professional fees	2	667	488
Other	96	240	134
Total accrued expenses	<u>\$ 418</u>	<u>\$ 1,035</u>	<u>\$ 797</u>

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its office and research facilities in Waltham, Massachusetts under a non-cancellable operating lease, which expires in 2017. Terms of the agreement provide for an initial rent-free period and future rent escalation, and provide that in addition to minimum lease rental payments, the Company is responsible for a pro-rata share of common area operating expenses. In January 2014, the Company entered into an agreement with a third party to sublease an additional facility in Waltham, Massachusetts. The term of the sublease extends from February 1, 2014 through July 30, 2015. The Company expects to make fixed rent payments of \$163 over the term of the sublease. The Company's wholly-owned subsidiary, ProChon, leases facilities in Woburn, Massachusetts and Israel.

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Aggregate minimum annual lease commitments of the Company under its non-cancellable operating leases as of December 31, 2013, including payments made through March 31, 2014, are as follows:

Year Ending December 31,	
2014	\$1,234
2015	1,076
2016	985
2017	968
Thereafter	—
Total minimum lease payments	<u>\$4,263</u>

The preceding data reflects existing leases and does not include replacements upon their expiration. Rent expense under operating lease agreements amounted to approximately \$649, \$648, \$156, \$151, \$4,164 and \$4,315 for the years ended December 31, 2012 and 2013, the three months ended March 31, 2013 and 2014, and the period from June 28, 2000 (inception) to December 31, 2013 and March 31, 2014, respectively. In addition, the Company maintained a stand-by letter of credit in connection with the Waltham facility lease of \$522 at December 31, 2012 and December 31, 2013 and March 31, 2014. This amount is classified as restricted cash in the consolidated balance sheets.

As an inducement to enter into its Waltham facility lease, the lessor agreed to provide the Company with a construction allowance of up to \$3,184 for special tenant improvements. Amounts paid by the lessor related to tenant improvements are considered inducements to enter into the lease. The Company has recorded these costs in the consolidated balance sheet as leasehold improvements, with the corresponding liability as deferred lease incentive. This liability is amortized on a straight-line basis over the term of the lease as a reduction of rent expense.

In April 2012, the Company entered into an agreement with a third party (“Subtenant”) to sublease a portion of its leased facility in Waltham (“Sublease”). The Sublease term extends from April 15, 2012 until March 31, 2015. The Subtenant has the option to request an extension of the sublease term after March 31, 2014. All improvements made to the space are subject to the terms of the primary lease between the Company and the landlord. The Subtenant is responsible for any improvements made to the space at its own cost. Under the terms of the Sublease, the Company receives \$16 from the Subtenant in fixed rent payments per month, as well as an additional variable amount for reimbursement of utilities, operating expenses, and property taxes. As of March 31, 2014, the Company has received \$387 in rent payments from the Subtenant throughout the sublease term. These payments are recorded as a reduction of rent expense in the consolidated statements of operations. The Company expects to receive future rent payments from the Subtenant over the remaining sublease term of approximately \$197.

In addition, the Company entered into a sublease agreement for its Woburn, Massachusetts facility, with the term extending from October 28, 2009 until May 30, 2016. The Company receives \$3 from the subtenant in fixed rent payments per month.

License Agreements

From time to time, the Company enters into various licensing agreements whereby the Company may use certain technologies in conjunction with its product research and development.

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Licensing agreements and the Company's commitments under the agreements are as follows:

Hydrogel License

In May 2005, the Company entered into an exclusive license agreement with Angiotech Pharmaceuticals (US), Inc. for the use of certain patents, patent application, and knowledge related to the manufacture and use of a hydrogel material in conjunction with NeoCart and certain other products ("Hydrogel License Agreement"). As of March 31, 2014, the Company has paid an aggregate \$3,150 in commercialization milestones under the terms of the Hydrogel License Agreement, which has been expensed to research and development, consisting of the following:

- An exclusivity payment of \$1,000;
- A \$2,000 revenue share reduction fee consisting of a reinstatement fee of \$1,000 and an additional \$1,000 paid in six equal quarterly payments of \$167; and
- Annual patent maintenance fee of \$50 totaling \$150 as of March 31, 2014.

Under the terms of the Hydrogel License Agreement, the Company's future commitments include:

- Annual patent maintenance fee of \$50 for 2014;
- A one-time \$3,000 payment upon approval of an eligible product by the United States Food and Drug Administration ("FDA"); and
- Royalties in the single digits of the net sales of NeoCart and of certain other future products.

Tissue Regeneration License

In April 2001, the Company entered into an exclusive license agreement with The Board of Trustees of the Leland Stanford Junior University ("Stanford University") for the use of certain technology to develop, manufacture and sell licensed products in the field of growth and regeneration of cartilage ("Tissue Regeneration License Agreement"). The length of the license agreement extends to the expiration date of Stanford University's last to expire domestic or foreign patents as set forth in the Tissue Regeneration License Agreement. As of March 31, 2014, the Company has paid an aggregate \$610 in patent reimbursement costs, royalty fees, and commercialization milestone payments under the terms of the Tissue Regeneration License Agreement, which has been recorded to research and development expense in the consolidated statements of operations, consisting of the following:

- Milestone payments of \$85;
- Reimbursement of patent costs of \$375; and
- An annual royalty fee of \$10 from 2002 through 2013 (totaling \$120) and a \$30 royalty fee upon signing of the Tissue Regeneration License Agreement.

Under the terms of the Tissue Regeneration License Agreement, the Company's future commitments include:

- A one-time \$300 payment upon approval of an eligible product by the FDA;
- An annual minimum non-refundable royalty fee of \$10 for the life of the license that may be used to offset up to 50% of each earned royalty described below; and
- Royalties in the low single digits of net sales.

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Honeycomb License

In March 2013, the Company entered into a license agreement with Koken Co., Ltd. (“Koken”) for a non-exclusive, non-transferable and non-sublicensable right to use its know-how related to the process for manufacturing atelocollagen honeycomb sponge materials, which is used in scaffolds (the “Honeycomb License Agreement”). Pursuant to the Honeycomb License Agreement, the Company paid Koken a fee in March 2013 for such right. Under the terms of the Honeycomb License Agreement, future commitments will be based on the amount of materials supplied to the Company and may vary from period to period over the term of the agreement.

Plasmid License

In January 2008, the Company entered into an exclusive license agreement with Yeda Research and Development Co., Ltd. (“Yeda”) for rights relating to high level expression of heterologous proteins and plasmid p80 BS (the “Plasmid License Agreement”), which rights are jointly owned by Yeda and the Company. Under the terms of the Plasmid License Agreement, the Company was granted an exclusive worldwide license to manufacture, use and sell heterologous proteins and plasmid p80 BS.

The Company is required to pay Yeda a yearly, non-refundable license fee of \$2 which is creditable against royalties payable by the Company to Yeda during the one-year period in which such fee was paid. Yeda is entitled a royalty fee of a low single digit percentage rate of net sales of the licensed products, a low single digit percentage rate of net sales for combination products (meaning the combination of the licensed product with at least one other active ingredient, material or medical device that would have a clinical effect if administered independently) and a low double digit percentage rate of all of the Company’s sublicensing receipts.

Tissue Processor Sub-License

In December 2005, the Company entered into an exclusive agreement to sub-license certain technology from Purpose, Co., which is owned by a stockholder of the Company (“Sub-License Agreement”). The original license agreement (“Original Agreement”) was entered into in August 2001 with Brigham and Women’s Hospital, Inc. (“Brigham and Women’s”). The Original Agreement shall remain in effect for the licensed patents owned by Brigham and Women’s unless extended or terminated as provided for in the agreement. The technology is to be used to develop, manufacture, use and sell licensed products that cultivate cell or tissue development. The Sub-License Agreement extends to the expiration date of the last to expire domestic or foreign patents covered by the agreement. As of March 31, 2014, the Company has paid an aggregate \$772 over the term of the Sub-License Agreement in royalty and sub-license payments under the terms of the Sub-License Agreement, which was recorded to research and development expense in the consolidated statements of operations.

The Sub-License Agreement was amended and restated in June 2012. Under the amended and restated agreement, the Company made Purpose, Co., the sole supplier of equipment, which the Company uses in its manufacturing processes, and granted Purpose, Co. distribution rights of the Company’s products for certain territories. In exchange, Purpose, Co. allowed for the use of its technology (owned or licensed) and manufactured and serviced exogenous tissue processors by the Company. Under the terms of the agreement, as amended, Purpose, Co. granted the Company (a) exclusive rights to all of Purpose, Co.’s technology (owned or licensed) related to the exogenous tissue processors, (b) continued supply of exogenous tissue processors during the Company’s clinical trials, and (c) rights to manufacture the exogenous tissue processors at any location the Company chooses. In exchange for such consideration, the Company granted Purpose, Co. an exclusive license

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in Japan for the use of all of the Company's technology and a payment of \$250 to reimburse Purpose, Co. for development costs on a next generation tissue processor.

Additionally, in conjunction with the amendment of the Sub-License Agreement, the Company granted Purpose, Co. the right to receive a portion of any consideration received by the Company and/or its stockholders as part of a liquidity event. The consideration payable to Purpose, Co. in the event of a liquidity event will equal 7.8125% of the net proceeds received by the Company and/or its stockholders. In the event that the Company requires financing in excess of \$48,000, the percentage of the consideration required to be paid to Purpose, Co. is subject to dilution pursuant to the additional amount of equity investment beyond the \$48,000. In the event the Company undertakes an IPO of its common stock, the Company and/or its stockholders will be obligated to pay Purpose, Co. the required compensation in shares of its common stock. In determining the aggregate number of shares to be issued to Purpose, Co. in such event, the shares to be issued will be calculated as the pre-IPO value determined by the Company less the transaction costs of the IPO, the amount of post-effective date indebtedness, and the amount of all rights and preferences of the investors multiplied by 7.1825%. This consideration payable to Purpose, Co. was determined to be a liability, which will be accounted for at fair value and remeasured at each reporting date. The initial value of the consideration payable to Purpose, Co. was \$3,115, which was recorded to research and development expense during the year ended December 31, 2012. The value of the consideration payable to Purpose, Co., or the "Other Liability," was \$4,868, \$13,176, and \$10,902 at December 31, 2012, December 31, 2013 and March 31, 2014, respectively. The changes in the fair value of the consideration payable to Purpose, Co. were recorded to "change in fair value of warrant liability and other liability" in the consolidated statements of operations.

In addition to the above, the Company's future commitments under the terms of the Original Agreement and Sub-License Agreement include:

- A minimum non-refundable annual royalty fee of \$20, for the life of the license;
- An annual payment of \$25 through May 4, 2014;
- \$200 of milestone payments; and
- Royalties in the low single digits of net sales of a licensed product.

The OCS Agreement

In connection with its research and development, the Company accrued and received grants from the Office of Chief Scientist of the Ministry of Industry and Trade in Israel ("OCS") in the aggregate of \$1,100 for funding the fibroblast growth factor ("FGF") program. In consideration for this grant, the Company is committed to pay royalties at a rate of 3-5% of the sales of sponsored products developed using the grant money, up to the amount of the participation payments received. The Company committed to pay up to 100% of grants received plus interest according to the LIBOR interest rate if the sponsored product is produced in Israel. If the manufacturing of the sponsored product takes place outside of Israel, the royalties can increase up to but no more than 300% of grants received, depending on the percentage of the manufacturing of sponsored product that takes place outside of Israel.

Severance Agreements

In March 2013, the Company entered into a severance agreement with its former chief executive officer for a total of \$275, payable in bi-weekly installments of approximately \$11 through March 2014. The expense

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associated with this severance agreement has been included as a component of selling, general and administrative expense in the accompanying consolidated statements of operations. At March 31, 2014 the remaining accrual was \$0.

In February 2014, the Company entered into a severance agreement with its former vice president of clinical affairs for a total of \$118, payable in bi-weekly installments of approximately \$10 through August 2014. The expense associated with this severance agreement has been included as a component of selling, general and administrative expense in the accompanying consolidated statements of operations. At March 31, 2014 the remaining accrual was \$98.

Engineering Agreement

The Company entered into an agreement with ST3 Development Corporation to purchase a multi-unit bioreactor system, which is expected to allow the Company to add additional manufacturing capacity for its current NeoCart production process. Pursuant to the agreement, the Company will be required to make payments totaling \$567, which are comprised of a deposit of \$150 paid in May 2013 with the remaining \$417 to be paid upon the Company's acceptance of the delivery of the system, which is expected in June 2014.

Legal Proceedings

The Company is not currently a party to any legal proceedings.

8. RELATED PARTY CONVERTIBLE PROMISSORY NOTES

On various dates in 2006, the Company obtained bridge financing in the form of issuing promissory notes to existing investors totaling \$1,100, convertible upon the closing of the next round of financing occurring prior to July 13, 2006. The notes bore interest at 3.0% per annum and converted upon the consummation of the next round of financing for which proceeds were greater than \$1,000. On July 19, 2006, the Company issued 2,345 shares of Series A-1 Convertible Redeemable Preferred Stock ("2006 Series A-1 Preferred") at a purchase price of \$6,375.27 per share, which effected the conversion of the \$1,100 in promissory notes.

On various dates in 2008, the Company obtained bridge financing in the form of issuing promissory notes to existing investors totaling \$3,010, which bore interest at 8.0% per annum, convertible upon the closing of the next round of financing. On July 19, 2008, the Company issued 6,480 shares of Series B Convertible Redeemable Preferred Stock ("2008 Series B Preferred") at a purchase price of \$1,390.12 per share, which effected the conversion of the \$3,010 in promissory notes into 6,480 shares of 2008 Series B Preferred.

On various dates in 2009, 2010 and February 2011, the Company issued promissory notes to existing investors totaling \$14,387, which bore interest at 8.0% per annum, convertible upon the closing of the next round of financing. On May 13, 2011, in connection with the recapitalization, the Company converted the promissory notes and accrued interest of \$1,584 into 10,724,321 shares of 2011 Series A Preferred.

As part of the issuance of the promissory notes in 2008, 2009, 2010 and 2011, the Company issued warrants to the existing investors to purchase 2,273 shares of 2008 Series B Preferred. The fair value of these warrants were originally recorded as a discount to the face value of the notes, and the Company accreted \$1,936 of interest expense associated with this discount. The discount on the face value also created a beneficial conversion feature for the note holder and the Company allocated \$1,040 to additional paid-in-capital. The warrants were recorded

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on the Company's consolidated balance sheet as a long-term liability at the fair value of the instrument at the date of issuance and were remeasured at each balance sheet date to their fair value.

On various dates beginning in May 13, 2011, the Company issued promissory notes to existing investors totaling \$12,000. The promissory notes bore interest at 8.0% per annum and converted upon the earliest of the consummation of the next round of financing for which proceeds were greater than \$27,000, the consummation of a deemed liquidation event, or May 1, 2012. As part of the recapitalization in July 2012 (Note 10), the notes and all accrued and unpaid interest were converted into 6,250,001 shares of common stock.

On various dates in 2012, the Company issued promissory notes to existing investors totaling \$5,950. The promissory notes bore interest at 8.0% per annum and converted upon the earliest of the consummation of the next round of financing, the consummation of a deemed liquidation event, or May 1, 2012. On July 20, 2012, in conjunction with the Company's recapitalization of its equity and issuance of the Series A Preferred, the notes and all accrued and unpaid interest automatically converted into 5,950,000 shares of the Series A Preferred.

9. WARRANTS, OTHER LIABILITY AND NET SALES DISTRIBUTION PAYMENT LIABILITY

Historical Warrants

As part of the issuance of convertible notes in 2008, 2009, 2010 and 2011, the Company issued warrants to purchase an aggregate of 4,582 shares of 2008 Series B Preferred with an exercise price of \$1,350.00 per share. The shares of 2008 Series B Preferred had certain non-standard anti-dilution provisions which resulted in the warrants being recorded as a liability and remeasured at each period at fair value. The fair value of the warrant liability as of December 31, 2010 was \$850. The warrants were cancelled as part of the 2011 recapitalization as discussed in Note 10. At the time of the cancellation the fair value of the warrant liability was \$871. The warrant liability was valued using the PWERM. The valuation as of the 2011 recapitalization utilized several scenarios including: (a) 60% probability of various financings with enterprise valuations ranging from \$50,000 to \$250,000 for various levels of dilution and (b) a 40% probability of liquidation.

Warrant Liability and Other Liability

In connection with the issuance of the Series A Preferred on July 20, 2012, the Company issued Common Stock Warrants (the "Common Stock Warrants") to each participating investor. The Common Stock Warrants are exercisable into an aggregate of 516,841 shares of the Company's common stock upon a defined liquidity event of either a sale of the Company or an IPO. The number of common shares may be decreased in the event that the percentage of the total equity required to be paid as part of the contingent payment of the Other Liability (described in Note 7) is decreased. The Common Stock Warrants are exercisable at \$0.07 per share and are only exercisable in the event that the contingent payment is required to be settled for the Other Liability. The fair value of the Common Stock Warrants is classified as a long-term liability in the accompanying consolidated balance sheets.

3% Net Sales Distribution Payment

In connection with the sale of Series A-1 Preferred, purchasers of Series A Preferred forfeited their right to receive a 2% net sales distribution payment described in Note 10. The 2% net sales distribution payment was replaced with a new royalty agreement under which the purchasers of Series A-1 Preferred ("Royalty Recipients") are entitled to receive a net sales distribution payment equal to 3% of net sales during the calendar

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year. At the election of the Royalty Recipients, all or a portion of the net sales distribution payments are required to be redeemed by the Company. The Royalty Recipients can elect to have each net sales percentage point redeemed for \$10,000 payable in cash or the Company's common stock. The fair value of the net sales distribution payment is classified as a long-term liability in the Company's consolidated balance sheet as the "Net Sales Distribution Payment Liability" in the amount of \$13,100 and \$13,760 as of December 31, 2013 and March 31, 2014, respectively.

Fair Value Methodology

The warrant liability was initially recorded on July 20, 2012 at fair value using the Option Pricing Model ("OM"). The fair value of the liability was determined from the calculated equity value. At each reporting date, the fair value of the warrant liability is remeasured using the PWERM model. The PWERM considers the changes in timing, probability, and values of preferred and common stock and other equity-linked securities based upon developments in the Company and the market utilizing management's assumptions and various future outcomes.

The change in valuation methodologies from the OM at July 20, 2012 to the PWERM at December 31, 2012 was made because the Company believed that there was a higher probability of a liquidity event in the following 15 months. As stated above, the PWERM is able to capture the changes in timing, probability, and values of the liquidity based upon developments in the Company and the markets which will better address the Company's need to obtain quarterly updates in valuation.

The Other Liability was initially recorded based on a combination of the PWERM and OM, utilizing management's assumptions. The fair value of the Other Liability is remeasured using PWERM at each reporting date. Changes in the fair value of the warrant liability and the Other Liability have been recorded as "change in the fair value of warrant liability and other liability" in the accompanying consolidated statements of operations.

The OM that was used to estimate the fair value of the warrant liability used the valuation of the Company's common stock as of the issuance date, July 20, 2012, to establish a basis of the equity value of the Company. A series of breakpoints was then determined based upon the contractual rights of the Company's outstanding instruments with an equity claim that can be settled upon a liquidity event. The Black-Scholes option pricing model was then used to determine the fair value of each equity value breakpoint. The model utilized the following inputs: (a) risk-free interest rate of 0.22%; (b) implied volatility of the Company's common stock of 99%; and (c) the expected term to a liquidity event of 1.7 years.

The Net Sales Distribution Payment Liability resulting from the December 18, 2013 financing was recorded at fair value using the PWERM from the December 31, 2013 valuation which was used for the December 18, 2013 financing. At each reporting date, the fair value of the liability is remeasured using the PWERM model. As stated above, the PWERM considers the changes in timing, probability, and values of preferred and common stock and other equity-linked securities based upon developments in the Company and the market utilizing management's assumptions and various future outcomes.

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The table below summarizes the fair value of the Common Stock Warrants, Other Liability and Net Sales Distribution Payment Liability as of December 31, 2012 and 2013 and March 31, 2014.

	Fair Value as of			Weighted Average Exercise Price Per Share
	December 31, 2012	December 31, 2013	March 31, 2014 (unaudited)	
Warrant liability	\$ 129	\$ 636	\$ 512	\$ 0.07
Other Liability	4,868	13,176	10,902	n/a
Net Sales Distribution Payment Liability	—	13,100	13,760	n/a
Total fair value	<u>\$ 4,997</u>	<u>\$ 26,912</u>	<u>\$ 25,174</u>	

The following table provides quantitative information about the fair value measurement, including the range of assumptions for the significant unobservable inputs used in the PWERM valuations of the Common Stock Warrants, Other Liability and Net Sales Distribution Payment Liability:

	Valuation Assumptions as of		
	December 31, 2012	December 31, 2013	March 31, 2014 (unaudited)
Acquisition scenarios			
Liquidity value	\$50 to \$250 million	\$50 to \$250 million	\$50 to \$250 million
Probability of occurrence	10.00% to 50.00%	5.00% to 10.00%	5.00% to 10.00%
Time to event	2.25 years	3.5 years	3.2 years
IPO scenarios			
Pre-money valuation	\$75 to \$150 million	\$81 to \$150 million	\$81 to \$150 million
Probability of occurrence	0.67% to 3.33%	5.00% to 38.00%	5.00% to 38.00%
Time to event	1.25 to 2.25 years	0.5 to 3.5 years	0.5 to 3.2 years
Probability of liquidation scenarios	20%	5%	5%
Discount for lack of marketability	28%	15%	5% to 20%

The above assumptions remained relatively consistent for the periods presented as a result of only minor changes in the remaining contractual term of the Common Stock Warrants due to the passage of time, with the largest change being the probability of occurrence as the IPO became a more realistic scenario. The increase in the time to event for the acquisition scenarios is due to the change in the timing of expected patient enrollment in the clinical trial from December 2014 to April 2015 as the pause in the clinical trial ended in December 2013. The decrease in the probability of liquidation scenarios is due to the re-start of the clinical trial in December 2013 as well as the increased probability of an IPO. The fair values per share of our underlying preferred stock were estimated using the same methodologies described above for the valuation of our common stock except the exceptions noted in the description above specific to each Common Stock Warrant, Other Liability and Net Sales Distribution Payment Liability.

Significant increases (decreases) in the significant unobservable inputs used in the fair value measurement of the Common Stock Warrants, Other Liability and Net Sales Distribution Payment Liability in isolation would result in a significantly higher (lower) fair value measurement.

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Liabilities measured at fair value on a recurring basis are as follows:

Description	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2012				
Warrant liability	\$ 129	\$ —	\$ —	\$ 129
Other Liability	4,868	—	—	4,868
	<u>\$ 4,997</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,997</u>
December 31, 2013				
Warrant liability	\$ 636	\$ —	\$ —	\$ 636
Other Liability	13,176	—	—	13,176
Net Sales Distribution Payment Liability	13,100	—	—	13,100
	<u>\$26,912</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 26,912</u>
March 31, 2014 (unaudited)				
Warrant liability	\$ 512	\$ —	\$ —	\$ 512
Other Liability	10,902	—	—	10,902
Net Sales Distribution Payment Liability	13,760	—	—	13,760
	<u>\$25,174</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25,174</u>

The following table provides a reconciliation of all liabilities measured at fair value using Level 3 significant unobservable inputs:

	Years ended December 31,		Three months ended March 31,	
	2012	2013	2013 (unaudited)	2014 (unaudited)
Beginning balance	\$ 670	\$ 4,997	\$ 4,997	\$ 26,912
Issuance of warrants, Other Liability and Net Sales Distribution Payment Liability	3,171	13,100	—	—
Change in fair value of warrant liability, Other Liability and Net Sales Distribution Payment Liability	1,843	8,815	(107)	(1,738)
Extinguishment of note payable	(687)	—	—	—
Ending balance	<u>\$ 4,997</u>	<u>\$ 26,912</u>	<u>\$ 4,890</u>	<u>\$ 25,174</u>

Non-recurring Fair Value Measurement

In connection with the issuance of the Series A Preferred on July 20, 2012, the Company issued a warrant to purchase its common stock to affiliates of an advisor. The warrant provides the holders with the right to purchase an aggregate of 1,750,000 shares of the Company's common stock at a per share exercise price of \$0.001. The warrants are exercisable, in whole or in part, immediately upon issuance and may be exercised on a cashless basis. The warrants expire on the tenth anniversary of issuance. The fair value of the warrants as of July 20, 2012 was estimated using the OM with the following inputs: (a) risk-free interest rate of 0.22%; (b) implied volatility of the Company's common stock of 99%; and (c) the expected term to a liquidity event of 1.7 years. The fair

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value of the warrants as of July 20, 2012 was \$117, which was recorded as a reduction to Series A Preferred and a credit to additional paid-in capital.

Note Payable

On July 20, 2012, as part of the Company's sale of Series A Preferred (Note 10), the note payable related to the ProChon acquisition was extinguished as an obligation of the Company for no consideration. The note payable had a fair value at the date of extinguishment of \$687 and has been recorded as a gain on the extinguishment of debt in the accompanying consolidated statement of operations.

10. CAPITAL AND CONVERTIBLE REDEEMABLE PREFERRED STOCK

As of December 31, 2013, the authorized capital stock of the Company included 70,000,000 shares of common stock, par value \$0.001 per share, 6,418,033 of which were issued and outstanding. As of December 31, 2013, 49,250,000 shares of preferred stock were authorized, designated as Series A Preferred and Series A-1 Preferred of which 28,602,031 and 10,323,988 were issued and outstanding, respectively.

On May 13, 2011, prior to the acquisition of ProChon, the Company consummated a recapitalization of its outstanding equity in which it, among other actions, (a) redeemed all of the issued and outstanding shares of (1) 2006 Series A-1 Preferred (1,874 shares) into 8,595 shares of common stock and (2) 2008 Series B Preferred (6,030 shares) into 6,030 shares of common stock, (b) converted \$14,387 of convertible notes and \$1,584 of accrued interest into 10,724,321 shares of newly created 2011 Series A Preferred Stock, and (c) cancelled all warrants held by the investors. All prior dividends that had accrued on the 2006 Series A-1 Preferred and 2008 Series B Preferred through May 13, 2011 were forfeited by the holders as part of the recapitalization. All of the conversions of preferred stock were made in accordance with the contractual arrangements and were accounted for as conversions. The redemption of the convertible notes and accrued interest was considered an extinguishment and was accounted for as a capital contribution of \$12,826.

Immediately after the conversions of the 2006 Series A-1 Preferred and 2008 Series B Preferred, the Company effected a reverse stock split in which each of the Company's stockholders received one share of common stock in exchange for 15,000 shares of common stock. Following the reverse stock split, the Company had 32,180 shares of common stock outstanding.

On July 20, 2012, in connection with the issuance of the Series A Preferred, the Company effected a recapitalization. The recapitalization resulted in (a) 32,180 shares of common stock and 16,086,493 shares of 2011 Series A Preferred being cancelled, (b) \$12,000 in principal of the convertible notes issued in 2011 converted into 6,250,001 shares of common stock, and (c) \$5,950 in principal of convertible notes issued in 2012 were converted into 5,950,000 shares of Series A Preferred. The accrued interest related to the convertible notes of \$1,131 was cancelled as part of this transaction. As the holders of the convertible notes were also stockholders of the Company at the time of the recapitalization, the cancellation of the common and preferred stock and the conversion of the notes were accounted for as one capital transaction. The Company accounted for the cancellation of the common and preferred stock and conversion of the convertible notes as a capital transaction resulting in an increase to equity of \$42,025, of which \$41,588 is treated as earnings attributable to common stockholders in the calculation of net income (loss) per share. The difference of \$437 is attributable to the issuance of common stock at its fair value.

Also on July 20, 2012, the Company entered into a stock purchase agreement with outside investors to issue an aggregate of up to 49,000,000 shares of Series A Preferred at \$1.00 per share. The terms of the agreement require

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the investors to participate in multiple rounds of financing. The initial round closed on July 20, 2012 and in conjunction with this round on various dates in July and November 2012, the Company issued 22,562,031 shares of Series A Preferred and Common Stock Warrants to purchase up to 516,841 shares of common stock to the investors, and a warrant to purchase 1,750,000 shares of common stock to an advisor. Subject to the Company's achievement of certain milestones or the approval of at least a majority of the holders of the outstanding Series A Preferred shares to waive such milestone conditions, investors committed to invest an additional \$20,648 from the sale of Series A Preferred Stock, to close no later than March 2015. If an investor fails to participate in the second round of the financing, the previously issued shares of Series A Preferred will automatically convert to shares of common stock on a 10-to-1 basis.

In December 2013, the holders of the outstanding Series A Preferred shares agreed to waive the milestone conditions that were previously required to close the second round of the financing. On December 18, 2013, the Company entered into an Amended and Restated Series A and A-1 Preferred Stock Purchase Agreement, whereby the Company sold 10,323,988 shares of Series A-1 Preferred Stock, par value \$0.001, at a price of \$1.00 per share and the 3% net sales distribution payment royalty agreement discussed below, resulting in aggregate proceeds of \$10,324, half of the \$20,648 noted above. The Company incurred \$63 of issuance costs with this financing. Subject to the Company's achievement of certain milestones or the approval of at least a majority of the holders of the outstanding Series A Preferred and Series A-1 Preferred shares to waive such milestone conditions, investors committed to invest the remaining \$10,324 from the sale of Series A-1 Preferred Stock, to close no later than December 31, 2014.

In connection with the closing of the second round on December 18, 2013, holders of Series A Preferred forfeited their right to receive a 2% net sales distribution payment. The 2% net sales distribution payment was replaced with a new, freestanding royalty agreement under which the original purchasers of the Series A-1 Preferred are entitled to receive a net sales distribution payment equal to 3% of net sales during the calendar year, discussed in Note 9. The 2% net sales distribution payment was an embedded right in the Series A Preferred. The forfeiture of this right resulted in an extinguishment of all 28,602,031 outstanding shares of Series A Preferred.

Immediately following the extinguishment, 28,602,031 shares of the Series A Preferred were reissued (without the right to the 2% net sales distribution payment) and recorded at their fair value of \$42,617 or \$1.49 per share. The 10,323,988 shares of Series A-1 Preferred were recorded at their fair value of \$14,454 or \$1.40 per share. The new 3% net sales distribution payment, accounted for as a freestanding financial instrument, has been recorded at its fair value of \$13,100 as a long-term liability in the accompanying consolidated balance sheet. As part of the extinguishment, the Company recorded a reduction of additional paid-in capital of \$28,000, representing the difference between the extinguished carrying value of Series A Preferred of \$31,910 and the fair value of the net consideration transferred to stockholders of \$59,910. The \$28,000 is also treated as a reduction of earnings attributable to common stockholders in the calculation of net income (loss) per share.

Common Stock

General

The voting, dividend and liquidation rights of the holders of shares of common stock are subject to and qualified by the rights, powers and preferences of the holders of shares of preferred stock. Common stock has the characteristics described herein.

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Voting

The holders of shares of common stock are entitled to one vote for each share of common stock held at all meetings of stockholders and written actions in lieu of meetings provided however that except as otherwise required by law, holders of common stock shall not be entitled to vote on any amendment to the corporation's certificate of incorporation that relates solely to the terms of one or more outstanding series of preferred stock.

Dividends

The holders of shares of common stock are not entitled to receive dividends.

Liquidation

After payment to the holders of shares of preferred stock of their liquidation preferences, the holders of shares of common stock are entitled to share ratably in the Company's assets available for distribution to stockholders in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or upon the occurrence of a deemed liquidation event.

Reserved for future issuance

The Company has reserved for future issuance the following number of shares of common stock:

	<u>As of December 31,</u>		<u>As of March 31,</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Conversion of Series A Preferred	28,602,031	28,602,031	28,602,031
Conversion of Series A-1 Preferred	—	10,323,988	10,323,988
Vesting of restricted stock	61,095	127,444	127,444
Options to purchase common stock	2,797,253	5,287,144	2,981,190
Common stock warrant (equity)	1,750,000	1,750,000	1,750,000
Common stock warrants (liability)	516,841	516,841	516,841
Total	<u>33,727,220</u>	<u>46,607,448</u>	<u>44,301,494</u>

Convertible Redeemable Preferred Stock

Since inception, the Company has issued several series of convertible redeemable preferred stock. From and after the date of issuance of any shares of convertible preferred stock, dividends accrue at a rate of eight percent (8.0%) per annum payable in cash or shares at the option of the holder, when and as declared by the Company's board of directors, but in no event later than upon the earliest to occur of (a) a voluntary or involuntary liquidation, dissolution or winding up of the Company, (b) a deemed liquidation event, or (c) a redemption. The holders of shares of the convertible preferred stock are entitled to receive dividends, if and when declared by the board of directors on a pari passu basis, out of any funds legally available and prior and in preference to dividends to any other holder of capital stock. Dividends payable on each share of convertible preferred stock is determined as if such share had been converted into shares of common stock. As of December 31, 2013, no dividends have been declared or paid since the Company's inception. The Company has recorded cumulative accrued dividends for the convertible preferred stock of \$1,742 as of December 31, 2012 and \$3,307 as of December 31, 2013 and March 31, 2014. The following describes each series of convertible redeemable preferred stock issued.

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2005 Series A Convertible Redeemable Preferred Stock

On August 1, 2005, the Company exchanged 500 shares of common stock into 500 shares of Series A junior convertible preferred stock at \$15,000.00 ("2005 Series A"). On various dates in 2005, the Company sold 167 shares of 2005 Series A to an investor for aggregate proceeds of \$2,500. In 2006, upon the filing of the Certificate of Incorporation in Delaware, the Company extinguished the existing shares and reissued them deeming all accrued dividends no longer payable. Upon this transaction, the Company recalculated the fair value of the 2005 Series A to \$4,947.53. The 2005 Series A was recorded at this new value. On July 23, 2008, the 2005 Series A was converted to common stock as a part of the 2008 Series B Preferred issuance. All cumulative dividends in arrears were reduced to zero and liquidation preferences were extinguished.

2006 Series A-1 Convertible Redeemable Preferred Stock

On July 19, 2006, the Company issued 2,345 shares of 2006 Series A-1 Preferred at a purchase price of \$6,375.27 per share, resulting in proceeds of \$13,376, net of issuance costs of \$1,574. This issuance effected the conversion of the \$1,100 in promissory notes to 2006 Series A-1 Preferred. On July 19, 2008, in conjunction with the issuance of the 2008 Series B Preferred, the holders of 2006 Series A-1 Preferred received the right to the liquidation value of 1.5 times the invested total. In conjunction with this additional benefit, the Company recalculated the fair value per share of the 2006 Series A-1 Preferred as \$3,599.99. The 2006 Series A-1 Preferred was reissued to reflect this new value. In 2009, a holder of 2006 Series A-1 Preferred elected not to participate in a qualified financing round following the 2008 Series B financing, as required by the agreement, and was forced to convert their outstanding 2006 Series A-1 Preferred into common at approximately a 4:1 ratio. All cumulative dividends were reduced to zero and liquidation preferences were extinguished. On May 13, 2011, as part of the Company's recapitalization (described above), all outstanding shares of 2006 Series A-1 Preferred were converted to common stock. All cumulative dividends were reduced to zero and liquidation preferences were extinguished.

2008 Series B Convertible Redeemable Preferred Stock

On July 19, 2008, the Company issued 6,480 shares of 2008 Series B Preferred at a purchase price of \$1,390.12 per share, resulting in proceeds of \$8,129, net of issuance costs of \$879. This issuance effected the conversion of the \$3,010 in promissory notes to 2008 Series B Preferred. In 2009, a holder of 2008 Series B Preferred elected not to participate in a qualified financing round following the 2008 Series B financing, as required by the agreement, and was forced to convert their outstanding 2008 Series B Preferred into common at approximately a 4:1 ratio. All cumulative dividends were reduced to zero and liquidation preferences were extinguished. On May 13, 2011, as part of the Company's recapitalization (described above), the 2008 Series B was converted to common stock. All cumulative dividends were reduced to zero and liquidation preferences were extinguished.

2011 Series A Convertible Redeemable Preferred Stock

On May 13, 2011, in connection with and prior to the acquisition of ProChon, the Company consummated a recapitalization in which it, among other actions, converted the principal amount of \$14,387 of its outstanding convertible notes and accrued interest of \$1,584 into 10,724,321 shares of 2011 Series A Preferred, \$0.001 par value per share, net of issuance costs of \$441. Subsequent to the recapitalization, in connection with the acquisition of ProChon, the Company issued 5,362,172 shares of 2011 Series A Preferred with a fair value of \$0.2933 per share. On July 20, 2012, as part of the Company's 2012 recapitalization described above), the 2011 Series A Preferred was cancelled. All cumulative dividends were reduced to zero and liquidation preferences were extinguished.

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Series A Convertible Redeemable Preferred Stock

On July 20, 2012, the Company entered into a stock purchase agreement to raise up to \$49,000 through the sale of shares of a Series A Preferred, \$0.001 par value per share, at a purchase price per share of \$1.00 per share. In conjunction with the closing of the financing, the Company sold 22,652,031 shares for net proceeds of \$20,679. The stock purchase agreement contains a commitment by the purchasers to purchase the remaining available shares of the Series A Preferred upon the achievement of certain milestones (“Milestone”) or the vote of at least a majority of the holders of the outstanding shares of Series A Preferred to waive the milestone conditions if not achieved prior to March 2015.

Series A-1 Convertible Redeemable Preferred Stock

On December 18, 2013, the Company entered into an Amended and Restated Series A and A-1 Preferred Stock Purchase Agreement (the “Stock Purchase Agreement”), whereby the Company sold 10,323,988 shares of Series A-1 Preferred, par value \$0.001, at a price of \$1.00 per share, resulting in aggregate proceeds of \$10,324.

The general rights, preferences and privileges of the Series A Preferred and Series A-1 Preferred (collectively, the “Preferred Stock”) are as follows:

Voting

The holders of shares of Preferred Stock are entitled to the number of votes equal to the number of whole shares of common stock into which the shares of the applicable series of Preferred Stock held by such holder are convertible on any matter presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company or by written consent of stockholders in lieu of meetings. Except as provided by law or otherwise, the holders of shares of Preferred Stock vote together with the holders of shares of common stock as a single class.

Protective Provision

At any time when at least 9,700,000 shares of Preferred Stock are outstanding, a majority of preferred stockholders must approve any of a list of significant changes to the existing Company’s structure and business, including (a) the liquidation, dissolution or winding up of the business or affairs of the Company, (b) any amendment to the Company’s certificate of incorporation, (c) altering any existing security that is pari passu with the Preferred Stock, (d) incurring indebtedness outside the ordinary course of business, (e) granting any exclusive license relating to the Company’s material technology or intellectual property other than in the ordinary course of business, (f) any increase or decrease in the number of directors or (g) any amendment to the Company’s equity incentive plans.

Dividends

From and after the date of issuance of any shares of Preferred Stock, dividends accrue at a rate per annum of eight percent (8.0%), payable in cash or in shares at the option of the holder, when and as declared by the board of directors but in no event later than upon the earliest to occur of (a) a voluntary or involuntary liquidation, dissolution or winding up of the Company, (b) a deemed liquidation event, or (c) a redemption. The holders of shares of Preferred Stock are entitled to receive dividends, if and when declared by the board of directors on a pari passu basis. Dividends payable on each share of preferred stock is determined as if such share had been converted into shares of common stock. As of December 31, 2013, no dividends have been declared or paid since the Company’s inception.

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Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Preferred Stock then outstanding are entitled to be paid out of the assets of the Company available for distribution to stockholders an amount per share equal to \$1.00, plus any accrued but unpaid dividends.

Conversion

Each share of Preferred Stock is convertible at the option of the holder, at any time and from time to time, into fully paid and nonassessable shares of common stock as is determined by dividing the original issuance price, or \$1.00 by the then applicable conversion price.

Each share of Preferred Stock is automatically convertible into fully paid and nonassessable shares of common stock upon either: (a) the closing of the sale of shares of the Company's common stock to the public in an underwritten public offering resulting in at least \$30,000 of gross proceeds to the Company or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of shares constituting a majority of the then outstanding shares of preferred stock and the holders of shares constituting a majority of the then outstanding shares of Preferred Stock.

Redemption

Shares of Preferred Stock shall be redeemed by the Company out of funds lawfully available at a price per share equal to the original issue price, plus any accrued but unpaid dividends, whether or not declared, and any accrued unpaid net sales distribution payments, described below, in three equal annual installments commencing at any time on or after July 20, 2016. If the Company does not have sufficient funds legally available to redeem all shares on the redemption date, the Company shall redeem a pro rata portion of each stockholder's Preferred Shares out of funds legally available, based on the respective amounts which would otherwise be payable if sufficient funds were available to redeem all shares.

3% Net Sales Distribution Payment

Within 45 days of the end of each calendar year, the Company shall pay the Royalty Recipients a payment equal to, in the aggregate, 3% of net sales during such calendar year, which is the Net Sales Distribution Payment. The Net Sales Distribution Payment shall be distributed pro rata based on the percentages set forth in the freestanding royalty agreement entered into in connection with the closing of the December 18, 2013 financing previously discussed.

Net sales shall mean the gross amount received by the Company, its affiliates and their sub-licensees for sales of the Company's products less (a) intercompany sales, (b) amounts repaid or credited by reason of actual rejection or return of applicable products, (c) reasonable and customary trade, quantity or cash rebates or discounts to the extent allowed, (d) amounts for outbound transportation, insurance, handling or shipping, and (e) taxes, customs duties and other governmental charges levied on or measured by sales of products, as adjusted for rebates and refunds. If any product is sold for non-cash consideration, net sales shall be calculated based on the average non-discounted cash amount charged to independent third parties for the product during the same period in the same country or based upon the fair value of the product.

At the election of the Royalty Recipients, all or a portion of the net sales payments may be redeemed by the Company. The Royalty Recipients can elect to have each net sales percentage point redeemed for

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\$10,000 payable in cash or the Company's common stock. If the Royalty Recipients choose to elect common stock, the fair value per share will be determined as follows: (a) if the Company is publicly-traded, the average of the 10-day trailing closing price, or (b) if not publicly-traded, the fair market value as determined by board of directors. The Royalty Recipients may exercise their redemption right any time after January 1, 2017 and prior to January 1, 2019, provided, however, that each election must be at least six months apart.

11. STOCK-BASED COMPENSATION

Restricted Stock Awards and Stock Options

Until the Company's plan of recapitalization was executed in 2012, the Company operated two equity incentive plans: the 2001 Stock Option Plan and the 2006 Equity Incentive Plan. Both equity incentive plans provided for the grant of nonqualified stock options and restricted equity interests to employees, directors, consultants and advisors. In connection with the recapitalization of the Company's equity in 2011 (as discussed in Note 10), both plans were suspended and all options and restricted stock granted under the plans were cancelled or forfeited.

The Company adopted the 2012 Equity Incentive Plan, as amended ("2012 Plan") in July 2012 pursuant to which 5,883,847 shares of common stock are authorized for issuance to employees, officers, directors, consultants and advisors of the Company as of March 31, 2014, of which 2,734,625 are available for future issuance. The 2012 Plan provides for the grant of incentive stock options, nonstatutory stock options, rights to purchase restricted stock, stock appreciation rights, phantom stock awards and stock units. In connection with the issuance of restricted common stock, the Company maintains a repurchase right and shares of restricted common stock are released from such repurchase right over a period of time of continued service by the recipient. Recipients of incentive stock options shall be eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair value of such stock on the date of grant. Stock options generally vest 25% on the first anniversary of the original vesting date, with the balance vesting monthly over the remaining three years, unless they contain specific performance and/or market-based vesting provisions. The maximum term of stock options granted under the 2012 Plan is ten years.

In determining the exercise prices for options granted, the board of directors considered the fair value of the common stock as of the measurement date. The fair value of the common stock was determined by the board of directors based on a variety of different factors, including valuations prepared by third party valuation specialists, Company's financial position, the status of development efforts within the Company, the composition and ability of the current scientific and management teams, the current climate in the marketplace, the illiquid nature of the Company's common stock, arm's length sale of the Company's preferred stock, the effect of the rights and preferences of the preferred stockholders, and the prospects of a liquidity event, among others.

2013 Equity Incentive Plan

The Company's board of directors adopted the 2013 Equity Incentive Plan ("2013 Plan") in November 2013 and the Company expects its stockholders to approve the 2013 Plan prior to the completion of this offering. The 2013 Plan became effective immediately on adoption, although no awards will be made under it until the effective date of the registration statement. The 2013 Plan will replace the Company's 2012 Equity Incentive Plan ("2012 Plan"), and no further grants will be made under the 2012 Plan following completion of this offering. However, awards outstanding under the 2012 Plan will continue to be governed by their existing terms.

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Stock option activity under the 2001, 2006, and 2012 plans is summarized as follows:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at Inception (June 28, 2000)	—	\$ —		
Granted	140	5,400.00		
Exercised	—	—		
Cancelled	(140)	5,400.00		
Outstanding at December 31, 2011	—	—		
Granted	2,797,253	0.07		
Exercised	—	—		
Cancelled	—	—		
Outstanding at December 31, 2012	2,797,253	0.07	9.6	\$ 168
Granted	4,882,675	0.23		
Exercised	(25,314)	0.07		1
Cancelled	(2,367,470)	0.07		
Outstanding at December 31, 2013	5,287,144	0.28	9.4	2,844
Granted	—	—		
Exercised	—	—		
Cancelled	(2,305,954)	0.12		
Outstanding at March 31, 2014 (unaudited)	2,981,190	\$ 0.30	9.1	\$ 1,032
Vested and expected to vest at December 31, 2013	4,856,238	\$ 0.23	9.4	\$ 2,844
Vested and expected to vest at March 31, 2014 (unaudited)	2,153,691	\$ 0.30	9.0	\$ 948
Exercisable at December 31, 2013	1,038,950	\$ 0.07	9.0	\$ 779
Exercisable at March 31, 2014 (unaudited)	973,438	\$ 0.07	8.6	\$ 652

As of December 31, 2012, December 31, 2013 and March 31, 2014, the unrecognized compensation cost related to outstanding options was \$130, \$1,002 and \$939, respectively, and is expected to be recognized as expense over approximately 3.28 years, 3.21 years and 2.77 years, respectively.

As of March 31, 2014, the weighted average fair value of vested options was \$0.07.

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Additional information about the Company's stock option activity is as follows:

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>March 31,</u> <u>2014</u> <u>(unaudited)</u>
Weighted-average grant date fair value per share of employee option grants	\$ 0.05	\$ 0.23	\$ 0.16
Cash received upon exercise of options	—	2	—

Restricted stock awards under the 2001, 2006, and 2012 plans are summarized as follows:

	<u>Number of</u> <u>Shares</u>	<u>Weighted-Average</u> <u>Grant Date</u> <u>Fair Value</u>
Unvested at Inception (June 28, 2000)	—	\$ —
Sale of restricted stock	598	1,050.00
Vesting of restricted stock	(440)	1,050.00
Repurchase of restricted stock	(98)	1,050.00
Recapitalization of equity	(60)	1,050.00
Unvested at December 31, 2011	—	—
Sale of restricted stock	61,095	0.07
Repurchase of restricted stock	—	—
Unvested at December 31, 2012	61,095	0.07
Sale of restricted stock	81,623	0.11
Vesting of restricted stock	(15,274)	0.05
Repurchase of restricted stock	—	—
Unvested at December 31, 2013	127,444	0.10
Sale of restricted stock	—	—
Vesting of restricted stock	—	—
Repurchase of restricted stock	—	—
Unvested at March 31, 2014 (unaudited)	<u>127,444</u>	<u>\$ 0.10</u>

As of December 31, 2012, December 31, 2013 and March 31, 2014, the unrecognized compensation cost related to restricted stock awards was \$4, \$14 and \$10, respectively, and is expected to be recognized as expense over approximately 3.84 years, 3.14 years and 2.94 years, respectively.

Stock-Based Compensation Expense

The Company granted stock options to employees for the years ended December 31, 2012 and 2013 and for the three months ended March 31, 2013. The Company did not grant any stock options for the three months ended March 31, 2014. The Company estimates the fair value of stock options as of the date of grant using the Black-Scholes option pricing model and restricted stock based on the fair value of the award. Stock options and restricted stock issued to non-board member, non-employees are accounted for using the fair value approach and are subject to periodic revaluation over their vesting terms.

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For all periods from inception to date, stock-based compensation for all options granted and restricted stock awards are classified as selling, general and administrative expense. Stock compensation expense amounted to \$14, \$158, \$10, \$76, \$593 and \$669 for the years ended December 31, 2012 and 2013, three months ended March 31, 2013 and 2014 and the period from June 28, 2000 (inception) to December 31, 2013 and March 31, 2014, respectively.

Stock-based compensation by award type is as follows:

	Years Ended December 31,		Three Months Ended March 31,		Period from June 28, 2000 (Inception) to December 31, 2013	Period from June 28, 2000 (Inception) to March 31, 2014
	2012	2013	2013 (unaudited)	2014 (unaudited)		2014 (unaudited)
Stock options	\$ 14	\$155	\$ 10	\$ 75	\$ 225	\$ 300
Restricted stock	—	3	—	1	368	369
Total stock-based compensation expense	\$ 14	\$158	\$ 10	\$ 76	\$ 593	\$ 669

The weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of the employee stock option grants were as follows:

	Years ended December 31,		Three months ended March 31,	
	2012	2013	2013 (unaudited)	2014 (unaudited)
Risk-free interest rate	0.93%	1.01%	0.89%	1.01%
Expected volatility	89.0%	87.9%	88.3%	87.9%
Expected term (in years)	6.08	5.36	5.92	5.36
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

The weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of the non-employee stock option grants were as follows, noting the Company had no non-employee stock options granted for the year ended December 31, 2012:

	Years ended December 31,		Three months ended March 31,	
	2012	2013	2013 (unaudited)	2014 (unaudited)
Risk-free interest rate	—	0.23%	0.28%	0.57%
Expected volatility	—	145.2%	82.0%	109.9%
Expected term (in years)	—	0.98	1.73	2.13
Expected dividend yield	—	0.0%	0.0%	0.0%

Risk-free Interest Rate. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected term of the stock option grants.

Expected Volatility. Due to the Company's limited operating history and lack of company-specific historical or implied volatility, the expected volatility assumption is based on historical volatilities of a peer group of similar companies whose share prices are publicly available. The peer group was developed based on companies in the biotechnology and medical device industries.

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Expected Term. The expected term represents the period of time that options are expected to be outstanding. Because the Company does not have historical exercise behavior, through March 31, 2014 it determined the expected life assumption using the simplified method, which is an average of the contractual term of the option and its vesting period. In 2013, some of the stock option grants were in-the-money, based on the retrospective fair value determinations, so the Company determined the expected life assumption using a risk-adjusted method, which adjusts the average of the contractual term of the option and its vesting period for risk, reducing the expected life.

Expected Dividend Yield. The expected dividend yield assumption is based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends.

12. INCOME TAXES

For the years ended December 31, 2012 and 2013, the Company did not record a current or deferred income tax expense or benefit due to current and historical losses incurred by the Company.

The components of loss before income taxes were as follows:

	<u>As of December 31,</u>	
	<u>2012</u>	<u>2013</u>
U.S.	\$(15,607)	\$(24,930)
Foreign	(1,328)	(782)
Total	<u>\$(16,935)</u>	<u>\$(25,712)</u>

A reconciliation of income tax expense (benefit) computed at the statutory federal income tax rate to income taxes as reflected in the financial statements is as follows:

	<u>As of December 31,</u>	
	<u>2012</u>	<u>2013</u>
Federal income tax (benefit) at statutory rate	34.0%	34.0%
(Increase) decrease income tax benefit resulting from:		
Limitations on utilization of net operating losses	(13.9%)	0.0%
Permanent differences	(13.2%)	(0.9%)
Change in valuation allowance	(6.2%)	(32.8%)
Other	(0.7%)	(0.3%)
Income tax expense (benefit)	<u>(0.0%)</u>	<u>0.0%</u>

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Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The significant components of the Company's deferred tax assets and liabilities are comprised of the following:

	<u>As of December 31,</u>	
	<u>2012</u>	<u>2013</u>
Deferred tax assets:		
Net operating loss carryforwards	\$ 12,832	\$ 13,369
Depreciation and amortization	3,234	2,926
Capitalized license agreement	216	221
Accrued expenses	2,202	5,346
Capitalized start-up costs	—	5,576
Capitalized R&D	362	155
Other	—	39
Deferred tax assets before valuation allowance	<u>18,846</u>	<u>27,632</u>
Valuation allowance	<u>(14,304)</u>	<u>(24,265)</u>
	4,542	3,367
Deferred tax liabilities		
IPR&D	(149)	(144)
Cancellation of indebtedness income	(4,390)	—
Change in accounting method	—	(3,223)
Other	(3)	—
	<u>(4,542)</u>	<u>(3,367)</u>
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

The Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. As of December 31, 2012 and 2013, based on the Company's history of operating losses, the Company has concluded that it is not more likely than not that the benefit of its deferred tax assets will be realized. Accordingly, the Company has provided a full valuation allowance for deferred tax assets as of December 31, 2012 and 2013. The valuation allowance increased \$9,961 during the year ended December 31, 2013, due primarily to net operating losses generated and capitalized expenses. The valuation allowance increased by \$1,151 during the year ended December 31, 2012, due primarily to deductible temporary differences generated during the period partially offset by restrictions on the use of net operating loss ("NOL") carryforwards under Section 382 of the Code.

The Company has recorded a current net deferred tax liability of \$1,058 and a noncurrent net deferred tax asset of \$1,058 on its consolidated balance sheet as of December 31, 2013, and a current net deferred tax liability of \$2,480 and a noncurrent net deferred tax asset of \$2,480 as of December 31, 2012. The classification of deferred tax assets and liabilities is primarily related to the timing of the reversal of the deferred tax liability related to a change of accounting method in 2013 and income from intercompany debt forgiveness in Israel for 2012.

As of December 31, 2012 and 2013, the Company had U.S. federal NOL carryforwards of \$5,294 and \$17,116, respectively, which may be available to offset future income tax liabilities and expire at various dates through 2033. As of December 31, 2012 and 2013, the Company also had U.S. state NOL carryforwards of \$5,270 and \$17,078, respectively, which may be available to offset future income tax liabilities and expire at various dates.

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through 2033. At December 31, 2012 and 2013, the Company also had \$43,015 and \$26,586, respectively, of foreign NOL carryforwards which may be available to offset future income tax liabilities, which carryforwards do not expire.

Utilization of the NOL and research and development credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred or that could occur in the future, as required by Section 382 and Section 383 of the Code, as well as similar state and foreign provisions. These ownership changes may limit the amount of NOL and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders. The Company has completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since its formation. The results of this study indicated that the Company experienced ownership changes as defined by Section 382 of the Code. The Company has not recorded NOLs that, as a result of these restrictions, will expire unused. Accordingly, the Company has recorded NOL carryforwards net of these limitations, which are approximately \$3,872, \$30,471, \$36,726 and \$49,655 in 2010, 2011, 2012 and 2013 respectively.

The changes in the Company's unrecognized tax benefits are summarized as follows:

	<u>As of December 31,</u>	
	<u>2012</u>	<u>2013</u>
Unrecognized tax benefit, beginning of year	\$5,253	\$ 5,577
Increase (decrease) related to current year positions	324	(46)
Settlements	—	(4,596)
Unrecognized tax benefit, end of year	<u>\$5,577</u>	<u>\$ 935</u>

As of December 31, 2012 and 2013, the total amount of unrecognized tax benefits was \$5,577 and \$935, respectively. The uncertain tax positions giving rise to the unrecognized tax benefits relate primarily to methods of accounting, used in the Company's tax returns, which accelerated certain deductions for federal income tax purposes. The reversal of the unrecognized tax benefits would not have any impact on effective tax rates in future periods and are not expected to create cash tax liabilities upon settlement due to the Company's ability to utilize both pre-change and post-change NOLs. The Company believes that it is reasonably possible that \$136 of its unrecognized tax benefits may be recognized by the end of 2014.

The Company will recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2012 and 2013, the Company had no accrued interest or penalties related to uncertain tax positions and no amounts have been recognized in the Company's consolidated statements of operations.

The Company files income tax returns in the United States, and various state and foreign jurisdictions. The federal, state and foreign income tax returns are generally subject to tax examinations for the tax years ended December 31, 2010 through December 31, 2013. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service, state or foreign tax authorities to the extent utilized in a future period.

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13. EMPLOYEE BENEFITS

Effective January 1, 2009, the Company adopted a defined contribution 401(k) plan for employees who are at least 21 years of age. Employees are eligible to participate in the plan beginning on the first day of the calendar quarter following their date of hire. Under the terms of the plan, employees may make voluntary contributions as a percent of compensation. No matching contributions have been made by the Company since the adoption of the 401(k) plan.

14. RELATED PARTIES

In June 2012, the Company entered into an agreement with Purpose, Co. to amend its previous agreements. In the previous agreements, Purpose, Co. granted the Company a perpetual license to its patents related to its exogenous tissue processor which is used in the development of the Company's products. In exchange, the Company granted Purpose, Co. a perpetual license to all of the Company's biotechnology and biomaterial for use in Japan. The agreement provides for Purpose, Co. to manufacture and sell machinery to the Company for cost until the Company's products become commercially viable. The Company has also agreed to pay royalties on any third-party revenue generated using Purpose, Co.'s licensed technology.

Under the June 2012 amendment, the Company received exclusive rights to all of Purpose, Co.'s technology related to the exogenous tissue processor, continued supply of exogenous tissue processors during the Company's clinical trials, and rights to manufacture the exogenous tissue processors at any location the Company chooses. In exchange for such consideration, the Company made Purpose, Co. the sole manufacturer of equipment and also clarified the geographic territories of the exclusive license that Purpose Co. was granted for use of the Company's technology. Also, the Company agreed to reimburse Purpose, Co. for \$250 of development costs on a next generation tissue processor. Refer to the discussion under *Tissue Processor Sub-License* in Note 7.

The amounts that have been paid to Purpose, Co. under this agreement were \$410, \$154, \$57, \$49, \$584 and \$633 for the years ended December 31, 2012 and 2013, the three months ended March 31, 2013 and 2014 and the period from June 28, 2000 (inception) to December 31, 2013 and March 31, 2014, respectively. At March 31, 2014, \$0 is due to Purpose, Co. for various maintenance services.

Receivables due from stockholders

On various dates beginning in May 13, 2011, the Company issued promissory notes totaling \$12,000 to existing stockholders. The promissory notes bore interest of 8.0% per annum and converted upon the earliest of the consummation of the next round of financing for which proceeds are greater than \$27,000, the consummation of a deemed liquidation event, or May 1, 2012. Inflection Point Ventures II, LP, also a stockholder, participated in the purchase of \$59 these promissory notes. At December 31, 2011, it had executed its note purchase agreement, but had not remitted its funds. The funds were received by the Company on March 6, 2012.

On May 9, 2008, the Company terminated the employment of its Chief Executive Officer, who was also a stockholder. The Company was owed \$100 from this individual at the time of his termination from a promissory note that was accruing interest at 4.69% per annum. The terms of the former CEO's separation agreement forgave all outstanding principal and interest due under the promissory note.

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15. SUBSEQUENT EVENTS—ANNUAL

For the purposes of annual financial statements, the Company has completed an evaluation of all subsequent events through April 11, 2014, the date these consolidated financial statements are available to be issued.

Sublease

In January 2014, the Company entered into an agreement with a third party to sublease an additional facility in Waltham, Massachusetts. The term of the sublease extends from February 1, 2014 through July 30, 2015. The Company expects to make fixed rent payments of \$163 over the term of the sublease.

Resignation of President, Chief Executive Officer and Director

Effective February 28, 2014, Peter Greenleaf resigned as the Company's president, chief executive officer and one of the Company's directors. His decision to resign did not involve any disagreement with the Company, its management or its board of directors. The Company is in the process of identifying and hiring a president and chief executive officer to succeed Mr. Greenleaf. The Company expects that any successor to Mr. Greenleaf will be appointed to the board as a Class II director. Mr. Greenleaf has agreed to continue as a consultant of the Company following his resignation to provide support during the transition period.

16. SUBSEQUENT EVENTS—INTERIM (UNAUDITED)

For the purposes of the unaudited interim financial statements, the Company has completed an evaluation of all subsequent events through May 16, 2014, the date these consolidated financial statements are available to be issued. The Company has concluded that no subsequent event has occurred that requires disclosure, except as noted below:

Hiring of President, Chief Executive Officer and Director

Effective April 26, 2014, the Company hired a new president and chief executive officer, Adam Gridley, who will also serve as a member of the Company's board of directors. Mr. Gridley's commencement date of full time employment was May 12, 2014.

Technology Transfer Agreement

On April 15, 2014, the Company entered into a technology transfer agreement for a non-transferrable, nonexclusive, non-sub-licensable, worldwide royalty free right and license to make Type 1 bovine collagen using a proprietary process. This agreement may only be terminated upon material breach of either party.

Shares



Common Stock

PROSPECTUS

Until _____, 2014, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Cowen and Company

Roth Capital Partners

, 2014

PART II
INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table presents the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee, the FINRA filing fee and the exchange listing fee. Except as otherwise noted, all the expenses below will be paid by us.

SEC registration fee	*
FINRA filing fee	*
Exchange listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous fees and expenses	*
Total	*

* To be completed by amendment

Item 14. Indemnification of Directors and Officers.

Sections 145 and 102(b)(7) of the General Corporation Law of the State of Delaware provide that a corporation may indemnify any person made a party to an action by reason of the fact that he or she was a director, officer, employee or agent of the corporation or is or was serving at the request of a corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of an action by or in right of the corporation, no indemnification may generally be made in respect of any claim as to which such person is adjudged to be liable to the corporation.

In connection with the completion of this offering, the Registrant's amended and restated certificate of incorporation will contain provisions that eliminate, to the maximum extent permitted by the General Corporation Law of the State of Delaware, the personal liability of the Registrant's directors for monetary damages for breach of their fiduciary duties as directors. The Registrant's amended and restated bylaws to be in effect immediately prior to the completion of this offering provide that the Registrant must indemnify its directors and officers and may indemnify its employees and other agents to the fullest extent permitted by the General Corporation Law of the State of Delaware.

The Registrant has entered into indemnification agreements with its directors and executive officers, in addition to the indemnification provided for in its amended and restated bylaws, and intends to enter into indemnification agreements with any new directors and executive officers in the future.

The Registrant has purchased and intends to maintain insurance on behalf of any person who is or was a director or officer of the Registrant against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

The Underwriting Agreement, the form of which is attached as Exhibit 1.1 hereto, provides for indemnification by the underwriters of the Registrant and its executive officers and directors, and by the Registrant of the

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underwriters, for certain liabilities, including liabilities arising under the Securities Act and affords certain rights of contribution with respect thereto.

See also “Undertakings” set out in response to Item 17 herein.

Item 15. Recent Sales of Unregistered Securities.

Set forth below is information regarding the shares of common stock and preferred stock and the warrant issued, and options granted, by us since May 16, 2011 that were not registered under the Securities Act of 1933.

- (1) Under the 2012 Equity Incentive Plan, we granted stock options to purchase shares of our common stock to certain of our employees, officers, consultants and advisors, as follows: (a) from August 15, 2012 to July 16, 2013, we granted stock options to purchase an aggregate of 5,391,806 shares of our common stock at an exercise price of \$0.07 per share; (b) on October 31, 2012, we issued 61,095 shares of restricted common stock at a price of \$0.001 per share; (c) on April 23, 2013, we issued 81,623 shares of restricted common stock at a price of \$0.001 per share; (d) on December 11, 2013, we granted stock options to purchase an aggregate of 1,353,211 shares of our common stock at an exercise price of \$0.66 per share; and (e) on April 30, 2014, we granted stock options to purchase an aggregate of 2,311,460 shares of our common stock at an exercise price of \$0.74 per share.
- (2) In 2012, we issued and sold an aggregate of 28,602,031 shares of Series A convertible preferred stock to investors for an aggregate purchase price of \$26.5 million, net of issuance costs.
- (3) In 2012, in connection with our Series A Financing, we issued warrants to investors and advisors exercisable for an aggregate of 2,266,841 shares of our common stock at a weighted average exercise price of \$0.0167 per share. These warrants are or will be exercisable upon the occurrence of certain defined events for an aggregate of up to 2,266,841 shares of our common stock. These warrants terminate ten years after the date issued.
- (4) In December 2013, we issued and sold an aggregate of 10,323,988 shares of Series A-1 convertible preferred stock to investors for an aggregate purchase price of \$10.3 million.

The offers, sales, grants and issuances of the securities described in paragraph (1) were deemed to be exempt from registration under the Securities Act in reliance on Rule 701. The recipients of such securities were our employees, officers, bona fide consultants and advisors and received the securities under our 2012 Equity Incentive Plan. Appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions had adequate access, through employment, business or other relationships, to information about us.

The offer, sale and issuance of the securities described in paragraphs (2), (3) and (4) were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act in that the issuance of the securities to the accredited investors did not involve a public offering. The recipients of the securities in this transaction acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the securities issued in this transaction. The recipients of the securities in this transaction were accredited investors under Rule 501 of Regulation D.

Item 16. Exhibits and Financial Statement Schedules.

<u>Exhibit</u>	<u>Description</u>
1.1*	Form of Underwriting Agreement
3.1‡	Fifth Amended and Restated Certificate of Incorporation, as amended (currently in effect)
3.2‡	Bylaws (currently in effect)
3.3	Form of Sixth Amended and Restated Certificate of Incorporation (to be effective immediately prior to the closing of this offering)

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<u>Exhibit</u>	<u>Description</u>
3.4	Form of Amended and Restated Bylaws (to be effective immediately prior to the closing of this offering)
4.1*	Specimen stock certificate evidencing the shares of common stock
4.2‡	Second Amended and Restated Investors' Rights Agreement dated as of December 18, 2013
4.3‡	Second Amended and Restated Stockholders' Agreement dated as of December 18, 2013
5.1*	Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP
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10.5+‡	Offer letter, effective as of August 5, 2013, between the Registrant and Stephen Kennedy
10.6+‡	2012 Equity Incentive Plan, as amended, and form of option agreement thereunder
10.7+*	2013 Equity Incentive Plan and form of option agreement thereunder
10.8+*	2013 Employee Stock Purchase Plan
10.9+*	Independent Director Compensation Policy
10.10†	License Agreement dated as of May 12, 2005 among the Registrant and Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH
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10.13†	Third Amendment to License Agreement dated as of April 15, 2008 among the Registrant and Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH
10.14†	Fourth Amendment to License Agreement dated as of November 1, 2008 among the Registrant and Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH
10.15†	Fifth Amendment to License Agreement dated as of August 6, 2010 among the Registrant and Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH
10.16†	Reinstatement Agreement and Sixth Amendment to License Agreement dated as of February 8, 2011 among the Registrant and Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH
10.17†	Seventh Amendment to License Agreement dated as of March 31, 2011 among the Registrant and Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH
10.18†	Eighth Amendment to License Agreement dated as of June 29, 2012 among the Registrant and Angiotech Pharmaceuticals (US), Inc. and Angiodevice International GmbH
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10.21†	Exclusive Agreement dated as of April 15, 2001 between the Registrant and The Board of Trustees of The Leland Stanford Junior University
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<u>Exhibit</u>	<u>Description</u>
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10.24†	Amendment No. 3 to the License Agreement Effective 4/15/2001 dated as of May 1, 2009 between the Registrant and The Board of Trustees of The Leland Stanford Junior University
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21.1‡	List of Subsidiaries
23.1*	Consent of Grant Thornton LLP, independent registered public accounting firm
23.2*	Consent of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP (included in Exhibit 5.1)
24.1*	Power of Attorney (included on signature page)

* To be filed by amendment.

+ Indicates management contract or compensatory plan.

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment. The omitted portions of this exhibit have been filed with the SEC.

‡ Previously submitted.

(b) Financial Statement Schedules

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, and will be governed by the final adjudication of such issue.

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The undersigned Registrant hereby undertakes to provide the underwriters, at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

The undersigned registrant hereby undertakes that:

1. For purposes of determining any liability under the Securities Act of 1933, the information omitted from a form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.
2. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
3. For the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.
4. In a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:
 - (1) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
 - (2) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
 - (3) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
 - (4) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Waltham, Commonwealth of Massachusetts, on this _____ day of _____, 2014.

HISTOGENICS CORPORATION

By: _____
Adam Gridley,
President and Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Adam Gridley and Kevin McArdle, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments) and any registration statement related thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought, and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Adam Gridley	Chief Executive Officer, President and Director (Principal Executive Officer)	
_____ Kevin McArdle	Chief Financial Officer (Principal Financial and Accounting Officer)	
_____ Garheng Kong, M.D., Ph.D.	Chairman of the Board	
_____ Joshua Baltzell	Director	
_____ John H. Johnson	Director	
_____ Michael Lewis	Director	
_____ Kevin Rakin	Director	

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24.1*	Power of Attorney (included on signature page)

* To be filed by amendment.

+ Indicates management contract or compensatory plan.

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment. The omitted portions of this exhibit have been filed with the SEC.

‡ Previously submitted.

**SIXTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
HISTOGENICS CORPORATION
(Pursuant to Sections 242 and 245 of
the Delaware General Corporation Law)**

Histogenics Corporation, a corporation organized and existing under and by virtue of the provisions of the Delaware General Corporation Law,
DOES HEREBY CERTIFY:

FIRST: That the name of the corporation is Histogenics Corporation and that this corporation was originally incorporated pursuant to the Delaware General Corporation Law on July 14, 2006 under the name Histogenics Corporation.

SECOND: That the Sixth Amended and Restated Certificate of Incorporation (the "Restated Certificate of Incorporation") was approved by the holders of the requisite number of shares of this corporation in accordance with Section 228 of the Delaware General Corporation Law.

THIRD: That the Restated Certificate of Incorporation, which restates and integrates and further amends the provisions of this corporation's heretofore existing Fifth Amended and Restated Certificate of Incorporation, has been duly adopted in accordance with Sections 242 and 245 of the Delaware General Corporation Law.

FOURTH: That the Fifth Amended and Restated Certificate of Incorporation of this corporation shall be amended and restated to read in full as follows:

ARTICLE I

The name of the corporation is Histogenics Corporation (the "Corporation").

ARTICLE II

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Zip Code 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law.

ARTICLE IV

A. The total number of shares of all classes of stock which the Corporation shall have authority to issue is One Hundred Ten Million (110,000,000), consisting of One Hundred Million (100,000,000) shares of Common Stock, par value \$0.001 per share (the "Common Stock"), and Ten Million (10,000,000) shares of Preferred Stock, par value \$0.001 per share (the "Preferred Stock").

B. The board of directors is authorized, without further stockholder approval and subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware (such certificate being hereinafter referred to as a "Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and any qualifications, limitations or restrictions thereof. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock Designation. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

C. Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Restated Certificate of Incorporation (including any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Restated Certificate of Incorporation (including any Preferred Stock Designation).

ARTICLE V

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the board of directors. In addition to the powers and authority expressly conferred upon them by statute or by this Restated Certificate of Incorporation or the bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation need not be elected by written ballot unless the bylaws so provide.

C. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Unless otherwise required by law, special meetings of stockholders of the Corporation may be called only by the Chairman of the board of directors or the Chief Executive Officer (or if there is no Chief Executive Officer, the President) or by the board of directors acting pursuant to a resolution adopted by a majority of the Whole Board. For purposes of this Restated Certificate of Incorporation, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

E. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or bylaws or (iv) any action asserting a claim governed by the internal affairs doctrine.

ARTICLE VI

A. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors of the Corporation shall be fixed from time to time exclusively by the board of directors pursuant to a resolution adopted by a majority of the Whole Board and may not be fixed by any other person(s).

B. The board of directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided into three classes: Class I, Class II, and Class III. Such classes shall be as nearly equal in number of directors as reasonably possible. Each director shall serve for a term ending on the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided, however, that the directors first elected or appointed to Class I shall serve for a term ending on the Corporation's first annual meeting of stockholders following the effectiveness of this Restated Certificate of Incorporation, the directors first elected or appointed to Class II shall serve for a term ending on the Corporation's second annual meeting of stockholders following the effectiveness of this Restated Certificate of Incorporation, and the directors first elected or appointed to Class III shall serve for a term ending on the Corporation's third annual meeting of stockholders following the effectiveness of this Restated Certificate of Incorporation. The board of directors is authorized to assign members of the board of directors already in office to such classes as it may determine at the time the classification of the board of directors becomes effective. The foregoing notwithstanding, each director shall serve until such director's successor shall have been duly elected and qualified, or until such director's prior death, resignation, retirement, disqualification or other removal.

C. At each annual election, directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed unless, by reason of any intervening changes in the authorized number of directors, the board of directors shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of directors among the classes.

D. Notwithstanding the rule that the three classes shall be as nearly equal in number of directors as reasonably possible, in the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which such director is a member until the expiration of such director's current term, or such director's prior death, resignation, retirement, disqualification or other removal. If any newly created directorship may, consistently with the rule that the three classes shall be as nearly equal in number of directors as reasonably possible, be allocated to more than one class, the board of directors shall allocate it to that of the available class whose term of office is due to expire at the earliest date following such allocation.

E. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise required by law or by resolution of the board of directors, be filled only by a majority vote of the directors then in office, though less than a quorum (and not by stockholders), and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires or until such director's successor shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

F. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the bylaws of the Corporation.

G. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire board of directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE VII

In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly empowered to adopt, amend or repeal bylaws of the Corporation. Any adoption, amendment or repeal of the bylaws of the Corporation by the board of directors shall require the approval of a majority of the Whole Board. The stockholders shall also have the power to adopt, amend or repeal the bylaws of the Corporation as prescribed by law; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Restated Certificate of Incorporation (including any Preferred Stock Designation), the affirmative vote of the holders of at least two-thirds of the

voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the bylaws of the Corporation.

ARTICLE VIII

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article VIII to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, she, his or her testator or intestate is or was a director, officer, employee or agent at the request of the Corporation or any predecessor to the Corporation or serves or served at any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor to the Corporation.

Any repeal or modification of the foregoing provisions of this Article VIII by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

ARTICLE IX

The Corporation reserves the right to amend or repeal any provision contained in this Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Restated Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Restated Certificate of Incorporation (including any Preferred Stock Designation), the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal the provisions of this Restated Certificate of Incorporation; provided, however, that any amendment or repeal of Sections C or D or E of Article V, or any provision of Article VI, Article VII, Article VIII or this Article IX shall require the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

* * * *

IN WITNESS WHEREOF, this Sixth Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of the Corporation this day of , 2014.

Kevin McArdle
Chief Financial Officer

**AMENDED AND RESTATED
BYLAWS OF
HISTOGENICS CORPORATION
A DELAWARE CORPORATION
EFFECTIVE: , 2014**

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ARTICLE I

OFFICES AND RECORDS

Section 1.1 Delaware Office. The registered office of the Corporation in the State of Delaware shall be located in the City of Wilmington, County of New Castle.

Section 1.2 Other Offices. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

Section 1.3 Books and Records. The books and records of the Corporation may be kept at the Corporation's headquarters in Waltham, Massachusetts or at such other locations outside the State of Delaware as may from time to time be designated by the Board of Directors.

ARTICLE II

STOCKHOLDERS

Section 2.1 Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held at such date, place and/or time as may be fixed by resolution of the Board of Directors.

Section 2.2 Special Meeting. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board or the President or by the Board of Directors acting pursuant to a resolution adopted by a majority of the Whole Board. For purposes of these Amended and Restated Bylaws, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

Section 2.3 Place of Meeting. The Board of Directors may designate the place of meeting for any meeting of the stockholders or the means of remote communications by which any meeting shall be held. If no designation is made by the Board of Directors, the place of meeting shall be the principal office of the Corporation.

Section 2.4 Notice of Meeting. Except as otherwise required by law, written, printed or electronic notice stating the place, if any, date and time of the meeting, the means of remote communications, if any, by which the stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and in the case of a special meeting, the purposes for which the meeting is called shall be prepared and delivered by the Corporation not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally, by mail, or in the case of stockholders who have consented to such delivery, by electronic transmission (as such term is defined in the Delaware General Corporation Law), to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation. Notice given by electronic transmission shall be effective (A) if by facsimile, when faxed to a number

where the stockholder has consented to receive notice; (B) if by electronic mail, when mailed electronically to an electronic mail address at which the stockholder has consented to receive such notice; (C) if by posting on an electronic network together with a separate notice of such posting, upon the later to occur of (1) the posting or (2) the giving of separate notice of the posting; or (D) if by other form of electronic communication, when directed to the stockholder in the manner consented to by the stockholder. Meetings may be held without notice if all stockholders entitled to vote are present (except as otherwise provided by law), or if notice is waived by those not present. Any previously scheduled meeting of the stockholders may be postponed and (unless the Corporation's Sixth Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") otherwise provides) any special meeting of the stockholders may be cancelled, by resolution of the Board of Directors upon public notice given prior to the time previously scheduled for such meeting of stockholders.

Section 2.5 Quorum and Adjournment. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the voting power of the outstanding shares of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series voting separately as a class or series, the holders of a majority of the voting power of the shares of such class or series shall constitute a quorum for the transaction of such business for the purposes of taking action on such business. If a quorum shall fail to attend any meeting, the chairman of the meeting may adjourn the meeting to another place, if any, date or time. No notice of an adjourned meeting need be given if the time, place, if any, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; provided such adjournment is for not more than thirty (30) days and further provided that no new record date is fixed for the adjourned meeting.

Section 2.6 Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or as may be permitted by law, or by his duly authorized attorney-in-fact. Such proxy must be filed with the Secretary of the Corporation or his representative, or otherwise delivered telephonically or electronically as set forth in the applicable proxy statement, at or before the time of the meeting.

Section 2.7 Notice of Stockholder Business and Nominations.

A. Nominations of persons for election to the Board of Directors and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (1) pursuant to the Corporation's notice with respect to such meeting, (2) by or at the direction of the Board of Directors or (3) by any stockholder of record of the Corporation who was a stockholder of record at the time of the giving of the notice provided for in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this Section 2.7.

B. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to paragraph (A)(3) of this Section 2.7, (1) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation,

(2) such business must be a proper matter for stockholder action under the Delaware General Corporation Law, (3) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in subclause (c)(iii) of this paragraph, such stockholder or beneficial owner must, in the case of a proposal, have delivered prior to the meeting a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered prior to the meeting a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice and (4) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this section. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than forty-five (45) or more than seventy-five (75) days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that if no proxy materials were mailed by the Corporation in connection with the preceding year's annual meeting, or if the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of (x) the 90th day prior to such annual meeting or (y) the 10th day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such person's written consent to serve as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

C. Notwithstanding anything in the second sentence of paragraph (B) of this Section 2.7 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at

least fifty-five (55) days prior to the Anniversary, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

D. Only persons nominated in accordance with the procedures set forth in this Section 2.7 shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.7. The chair of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

E. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or (2) by any stockholder of record of the Corporation who is a stockholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.7. Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the stockholder's notice required by paragraph (B) of this Section 2.7 shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

F. For purposes of this Section 2.7, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

G. Notwithstanding the foregoing provisions of this Section 2.7, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.7. Nothing in this Section 2.7 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.8 Procedure for Election of Directors. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by written ballot, and, except as otherwise set forth in the Certificate of Incorporation with respect to the right of the holders of any series of Preferred Stock or any other series or class of stock to elect additional directors under specified circumstances, a plurality of the votes cast thereat shall elect directors.

Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all matters other than the election of directors submitted to the stockholders at any meeting shall be decided by the affirmative vote of a majority of the voting power of the outstanding Voting Stock present in person or represented by proxy at the meeting and entitled to vote thereon.

Section 2.9 Inspectors of Elections. The Board of Directors by resolution may, and to the extent required by law, shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at the meeting and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act, or if all inspectors or alternates who have been appointed are unable to act, at a meeting of stockholders, the chairman of the meeting may, and to the extent required by law, shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the Delaware General Corporation Law.

Section 2.10 Conduct of Meetings.

A. The President and Chief Executive Officer shall preside at all meetings of the stockholders. In the absence of the President and Chief Executive Officer, the Chairman of the Board shall preside at a meeting of the stockholders. In the absence of both the President and Chief Executive Officer and the Chairman of the Board, the Secretary shall preside at a meeting of the stockholders. In the anticipated absence of all officers designated to preside over the meetings of stockholders, the Board of Directors may designate an individual to preside over a meeting of the stockholders.

B. The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting. The chairman shall have the power to adjourn the meeting to another place, if any, date and time.

C. The Board of Directors may, to the extent not prohibited by law, adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may to the extent not prohibited by law include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof and (v) limitations on the time allotted to questions or comments by

participants. Unless, and to the extent, determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.11 No Consent of Stockholders in Lieu of Meeting. Subject to the rights of the holders of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by the Certificate of Incorporation or by these Bylaws, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

Section 3.2 Number, Tenure and Qualifications. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board. The directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided into three classes pursuant to the Certificate of Incorporation. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. The foregoing notwithstanding, each director shall serve until such director's successor shall have been duly elected and qualified, or until such director's prior death, resignation, retirement, disqualification or other removal. The Board of Directors is authorized to assign members of the Board of Directors already in office to such classes as it may determine at the time the classification of the Board of Directors becomes effective.

Section 3.3 Regular Meetings. The Board of Directors may, by resolution, provide the time and place for the holding of regular meetings of the Board of Directors. A notice of each regular meeting shall not be required.

Section 3.4 Special Meetings. Special meetings of the Board of Directors shall be called at the request of the Chairman of the Board, the Chief Executive Officer or a majority of the Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of the meetings, and the writing or transmission shall be filed with the minutes of proceedings of the Board of Directors.

Section 3.5 Action By Unanimous Consent of Directors. The Board of Directors may take action without the necessity of a meeting by unanimous consent of directors. Such consent may be in writing or given by electronic transmission, as such term is defined in the Delaware General Corporation Law.

Section 3.6 Notice. Notice of any special meeting shall be given to each director at his business or residence in writing, or by telegram, facsimile transmission, telephone communication or electronic transmission (provided, with respect to electronic transmission, that the director has consented to receive the form of transmission at the address to which it is directed). If mailed, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five (5) days before such meeting. If by telegram, such notice shall be deemed adequately delivered when the telegram is delivered to the telegraph company at least twenty-four (24) hours before such meeting. If by facsimile transmission or other electronic transmission, such notice shall be transmitted at least twenty-four (24) hours before such meeting. If by telephone, the notice shall be given at least twelve (12) hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these Bylaws as provided under Section 8.1 of Article VIII hereof. A meeting may be held at any time without notice if all the directors are present (except as otherwise provided by law) or if those not present waive notice of the meeting in writing or by electronic transmission, either before or after such meeting.

Section 3.7 Conference Telephone Meetings. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 3.8 Quorum. A whole number of directors equal to at least a majority of the Whole Board shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3.9 Vacancies. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise provided by law or by resolution of the Board of Directors, be filled only by a majority vote of the directors then in office, though less than a quorum (and not by stockholders), and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires or until such director's successor has been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

Section 3.10 Committees.

A. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that no committee shall have power or authority in reference to the following matters: (1) approving, adopting or recommending to stockholders any action or matter required by law to be submitted to stockholders for approval or (2) adopting, amending or repealing any bylaw.

B. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to these Bylaws.

Section 3.11 Removal. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE IV

OFFICERS

Section 4.1 Elected Officers. The elected officers of the Corporation shall be a Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers as the Board of Directors from time to time may deem proper. The Chairman of the Board shall be chosen from the directors. All officers chosen by the Board of Directors shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof.

Section 4.2 Election and Term of Office. The elected officers of the Corporation shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held after each annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Subject to Section 4.7 of these Bylaws, each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign.

Section 4.3 Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors.

Section 4.4 President and Chief Executive Officer. The President and Chief Executive Officer shall be the general manager of the Corporation, subject to the control of the Board of Directors, and as such shall, subject to Section 2.10(A) hereof, preside at all meetings of stockholders, shall have general supervision of the affairs of the Corporation, shall sign or countersign or authorize another officer to sign all certificates, contracts, and other instruments of the Corporation as authorized by the Board of Directors, shall make reports to the Board of Directors and stockholders, and shall perform all such other duties as are incident to such office or are properly required by the Board of Directors. If the Board of Directors creates the office of Chief Executive Officer as a separate office from President, the President shall be the chief operating officer of the corporation and shall be subject to the general supervision, direction, and control of the Chief Executive Officer unless the Board of Directors provides otherwise.

Section 4.5 Secretary. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and directors and all other notices required by law or by these Bylaws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chairman of the Board or the President, or by the Board of Directors, upon whose request the meeting is called as provided in these Bylaws. The Secretary shall record all the proceedings of the meetings of the Board of Directors, any committees thereof and the stockholders of the Corporation in a book to be kept for that purpose, and shall perform such other duties as may be assigned to the Secretary by the Board of Directors, the Chairman of the Board or the President. The Secretary shall have custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the Board of Directors, the Chairman of the Board or the President, and attest to the same.

Section 4.6 Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate receipts and disbursements in books belonging to the Corporation. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors the Chairman of the Board, or the President, taking proper vouchers for such disbursements. The Treasurer shall render to the Chairman of the Board, the President and the Board of Directors, whenever requested, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond for the faithful discharge of his duties in such amount and with such surety as the Board of Directors shall prescribe.

Section 4.7 Removal. Any officer elected by the Board of Directors may be removed by the Board of Directors at any time, with or without cause. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of his successor, his death, his resignation or his removal, whichever event shall first occur, except as otherwise provided in an employment contract or an employee plan.

Section 4.8 Vacancies. A newly created office and a vacancy in any office because of death, resignation, or removal may be filled by the Board of Directors for the unexpired portion of the term at any meeting of the Board of Directors.

ARTICLE V

STOCK CERTIFICATES AND TRANSFERS

Section 5.1 Stock Certificates and Transfers.

A. Unless the Board of Directors has determined by resolution that some or all of any or all classes or series of stock shall be uncertificated shares, the interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the appropriate officers of the Corporation may from time to time prescribe. The shares of the stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof in person or by his attorney, upon surrender for cancellation of certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, and with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require.

B. Every holder of stock represented by certificates shall be entitled to have a certificate signed, countersigned and registered in such manner as the Board of Directors may by resolution prescribe, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

ARTICLE VI

INDEMNIFICATION

Section 6.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, trustee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), where the basis of such proceeding is alleged action in an official capacity as a director, officer, employee, trustee or agent or in any other capacity while serving as a director, officer, trustee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment

permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, employee, trustee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 6.3 hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 6.2 Right to Advancement of Expenses. The right to indemnification conferred in Section 6.1 shall include the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any proceeding for which such right to indemnification is applicable in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise.

Section 6.3 Right of Indemnitee to Bring Suit. The rights to indemnification and to the advancement of expenses conferred in Section 6.1 and Section 6.2, respectively, shall be contract rights. If a claim under Section 6.1 or Section 6.2 is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (A) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (B) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of

conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Section or otherwise shall be on the Corporation.

Section 6.4 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under the Certificate of Incorporation, these Amended and Restated Bylaws, or any statute, agreement, vote of stockholders or disinterested directors or otherwise.

Section 6.5 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 6.6 Amendment of Rights. Any amendment, alteration or repeal of this Article VI that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

Section 6.7 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Section with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.1 Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December of each year.

Section 7.2 Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Certificate of Incorporation.

Section 7.3 Seal. The corporate seal shall have inscribed the name of the Corporation thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 7.4 Waiver of Notice. Whenever any notice is required to be given to any stockholder or director of the Corporation under the provisions of the Delaware General

Corporation Law, the Certificate of Incorporation or the Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, or a waiver by electronic transmission, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the Board of Directors need be specified in any waiver of notice of such meeting. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 7.5 Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board of Directors, and it shall be the duty of the Board of Directors to cause such audit to be made annually.

Section 7.6 Resignations. Any director or any officer, whether elected or appointed, may resign at any time by serving written notice of such resignation on the Chairman of the Board, the Chief Executive Officer or the Secretary, or by submitting such resignation by electronic transmission (as such term is defined in the Delaware General Corporation Law), and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman of the Board, the Chief Executive Officer, or the Secretary or at such later date as is stated therein. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective.

Section 7.7 Contracts. Except as otherwise required by law, the Certificate of Incorporation or these Bylaws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board of Directors may from time to time direct. Such authority may be general or confined to specific instances as the Board of Directors may determine. The Chairman of the Board, the Chief Executive Officer, the President or any Vice President may execute bonds, contracts, deeds, leases and other instruments to be made or executed for or on behalf of the Corporation. Subject to any restrictions imposed by the Board of Directors or the Chairman of the Board, the Chief Executive Officer, the President or any Vice President of the Corporation may delegate contractual powers to others under his jurisdiction, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

Section 7.8 Proxies. Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President or any Vice President may from time to time appoint any attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation or other entity, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock and other securities of such other corporation or other entity, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation or other entity, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or

cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLE VIII

AMENDMENTS

Section 8.1 Amendments. Subject to the provisions of the Certificate of Incorporation (including the rights of the holders of any series of Preferred Stock then outstanding), these Bylaws may be adopted, amended or repealed at any meeting of the Board of Directors by a resolution adopted by a majority of the Whole Board, provided notice of the proposed change was given in the notice of the meeting in a notice given no less than twenty-four (24) hours prior to the meeting. Subject to the provisions of the Certificate of Incorporation (including the rights of the holders of any series of Preferred Stock then outstanding), the stockholders shall also have power to adopt, amend or repeal these Bylaws, provided that notice of the proposed change was given in the notice of the meeting and provided further that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by the Certificate of Incorporation (including the rights of the holders of any series of Preferred Stock then outstanding), the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of these Bylaws.

CERTIFICATE OF SECRETARY OF

HISTOGENICS CORPORATION

The undersigned, Kevin McArdle, hereby certifies that he is the duly elected and acting Secretary of Histogenics Corporation, a Delaware corporation (the "Corporation"), and that the Amended and Restated Bylaws attached hereto constitute the Bylaws of said Corporation as duly adopted by the Directors on _____, 2014.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his name this _____ day of _____, 2014.

Kevin McArdle, Secretary

CONFIDENTIAL TREATMENT REQUESTED**LICENSE AGREEMENT**

This License Agreement, effective as of May 12, 2005 (the "Effective Date"), is by and among:

Angiotech Biomaterials Corp., a corporation organized and existing under the laws of Delaware, with principal offices at 2500 Faber Place, Palo Alto, CA, 94303 ("Biomaterials");

Angiodevice International GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland ("Angiodevice");

and,

Histogenics Corporation, a corporation organized and existing under the laws of Massachusetts, with principal offices at 100 Hospital Road, Malden, MA 02148 ("Histogenics").

WITNESSETH

WHEREAS Angiodevice and Biomaterials (collectively, "Angiotech") are under the indirect control of Angiotech Pharmaceuticals, Inc., ("Angiotech Parent") and as such both are Affiliates (as defined below) of each other;

AND WHEREAS Angiotech owns certain domestic and foreign patents and patent applications, and has developed know-how, relating to the manufacture and use of CT3;

AND WHEREAS Histogenics desires to receive a license for the use of certain of such patents, patent applications and know-how, and Angiotech is willing, and has the right, to grant such a license to Histogenics;

NOW THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Angiodevice and Biomaterials and Histogenics (Angiotech and Histogenics shall be individually referred to as "Party" and collectively as "Parties") hereby agree as follows:

1. **Definitions.**

Capitalized terms used in this Agreement and not otherwise defined herein shall have the meaning as set forth below:

"Action" means any legal action or proceeding, or the filing of any counterclaim.

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“Affiliate” means any entity, natural or otherwise, that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with a Party. For purposes of this definition, “control” means (a) the direct or indirect ownership of at least fifty percent (50%) (or such maximum lesser percentage allowed to be owned by a foreign owner in a particular jurisdiction) of the outstanding voting securities of such entity, or (b) the ability to affect management control or possessing the decision making authority of such entity through whatever means.

“Agreement” means this License Agreement, together with all exhibits annexed hereto, as the same shall be modified and in effect from time to time.

“Angiotech Indemnitees” has the meaning ascribed to it in Section 7.3(a).

“Calendar Quarter” means each three (3) month period during the Term commencing on January 1, April 1, July 1 or October 1; provided that the first Calendar Quarter of the Term shall be deemed to have commenced on the Effective Date and may be shorter than a full Calendar Quarter.

“Calendar Year” means each twelve (12) month period during the Term commencing on January 1 and ending on December 31 of each year; provided that the first Calendar Year of the Term shall be deemed to have commenced on the Effective Date and may be shorter than a full Calendar Year.

“Clinical Data” means the results and analysis of data arising from the testing of a drug, device or a combination thereof *in vitro*, *in vivo* in non-human subjects and *in vivo* in human subjects, including safety and toxicity testing, or other pre-clinical testing, patient screening, patient enrollment, patient status, any communications with Regulatory Authorities, actions taken or modification in study design/conduct and summary of data collected on CRFs (Case Report Forms) either paper or electronic, interactions with a DSMB (data safety monitoring board) if applicable.

“Competitive Product” means, in a given country, (i) a drug or biologic approved for marketing or in Phase 3 clinical development, (ii) a 510(k), or foreign equivalent, device approved for marketing, or (iii) a PMA, or foreign equivalent, device approved for marketing or in pivotal study clinical development, other than an Eligible Product, that acts (or is being developed to act) for one or more target label indications substantially similar to one or more approved or target label indications for an Eligible Product.

“Confidential Information” means all information and data provided by the Parties to each other hereunder in written or other tangible medium whether or not marked as confidential or, if disclosed orally or displayed, identified as confidential at the time of disclosure, except any portion thereof which:

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(a) is known to the receiving Party, as evidenced by the receiving Party's written records, before receipt thereof under this Agreement or any other agreement between the Parties providing for confidentiality;

(b) is disclosed to the receiving Party by a third person who is under no obligation of confidentiality to the disclosing Party hereunder with respect to such information and who otherwise has a right to make such disclosure;

(c) is or becomes generally known in the trade through no fault of the receiving Party;

(d) is independently developed by the receiving Party without reference to or reliance upon the Disclosing Party's Confidential Information and by persons having no access thereto, as evidenced by the receiving Party's written records; or

(e) is required to be disclosed by applicable statute, rule or regulation of any court or Regulatory Authority with competent jurisdiction; provided that the Party whose information is to be disclosed shall be notified as soon as possible and the Party that is being required to disclose such information shall, if requested by the Party whose information is to be disclosed, use reasonable good faith efforts, at the expense of the requesting Party, to assist in seeking a protective order (or equivalent) with respect to such disclosure or otherwise take reasonable steps to avoid making such disclosure.

Confidential Information of Angiotech includes, without limitation, Licensed Patent Rights that are not publicly available and the Technical Information.

"Control" or "Controlled" shall mean the legal authority or right of a Party hereto to grant a license or sublicense of intellectual property rights to another Party hereto, without breaching the terms of any agreement with a third party, infringing upon the intellectual property rights of a third party, or misappropriating or unlawfully disclosing the confidential, proprietary or trade secret information of a third party.

"CT3" means a ****.

"Diligence Date(s)" means one or more of the date(s) set out in Section 4.1 as the context requires.

"Dispute" shall have the meaning ascribed to it in Section 9.1.

"Dollars" or "\$" means the lawful currency of the United States of America.

"Drug-Loaded Product" means the inclusion in CT3 of at least one nonliving ingredient for the primary purpose of producing a physiological, metabolic or biological effect in mammals.

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“Eligible Product” means a product that is made up of Histogenics Technology and CT3, but excluding any Drug-Loaded Product.

“FDA” means the United States Food and Drug Administration or any successor agency.

“Field” means repair of articular cartilage, ligament, meniscus and/or tendon damage, including related osteochondral defects.

“First Commercial Sale” means the date of the first sale of an Eligible Product made by or on behalf of Histogenics in the normal course of business.

“Histogenics Indemnitees” has the meaning ascribed to it in Section 7.3(b).

“Histogenics License” has the meaning ascribed to it in Section 2.1.

“Histogenics Technology” means Histogenics’ intellectual property and know how as it currently exists and as that intellectual property and know how may develop.

“Improvements” means all improvements, variations, updates, modifications, and enhancements made to the Licensed Technology (including but not limited to the Manufacturing Technology and CT3) (i) by or on behalf of Histogenics prior to or during the Term or (ii) by or on behalf of Angiotech prior to or during the Term.

“Indemnified Party” has the meaning ascribed to it in Section 7.3(c).

“Indemnifying Party” has the meaning ascribed to it in Section 7.3(c).

“Licensed Patent Rights” means the patents and patent applications list on Exhibit A, together with all patent applications filed during the Term and Controlled by Angiotech that are related to the existing patents and patent applications set out in Exhibit A by way of any continuations, continuations-in-part, divisions or any substitute applications, any patent issued with respect to any such patent applications, any reissue, re-examination, renewal or extension (including any supplemental patent certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing, in each case only to the extent, however, that claims in any patent application filed during the Term are entirely supported in the specification and entitled to the priority date of the parent patent application in Exhibit A.

“Licensed Technology” means Licensed Patent Rights and Technical Information.

“Loss” has the meaning ascribed to it in Section 7.3(a).

“Manufacturing Technology” means all know-how, information, formulations, trade secrets, data and other proprietary information Controlled by Angiotech that are in existence as of the Effective Date and are necessary for the manufacture of CT3.

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“Net Sales” means, with respect to any Eligible Product, gross sales from the sale, rent, lease or otherwise making available of **** that contains an Eligible Product to end-user third parties by or on behalf of Histogenics and its Affiliates and their permitted sublicensees, less the following, to the extent they are separately invoiced and credited against, or deducted from, the invoiced amount:

(a) discounts, credits, rebates, allowances, adjustments, rejections, recalls and returns (in the amount of the credit provided to the customer), all as usual and customary in the business;

(b) freight, postage, transit insurance, and other transportation charges; and

(c) sales and use taxes, customs duties, and any other governmental tax or charge (except income taxes or taxes imposed on the right to do business) imposed on or at the time of the production, importation, use, or sale of such Eligible Products (if separately invoiced), including any value added taxes (VAT), as adjusted for reasonable and customary rebates and refunds.

“Person” means an individual, partnership, association, corporation, or personal representative.

“Regulatory Authority” means, with respect to any particular country, territory or union, the governmental authority, body, commission, agency or other instrumentality of such country, territory or union with the primary responsibility for the evaluation or approval of medical products before such medical product can be tested, marketed, promoted, distributed or sold in such country, territory or union including such governmental bodies that have jurisdiction over the pricing of such medical product. The term “Regulatory Authority” includes, but is not limited to the FDA, the European Agency for the Evaluation of Medicinal Products (EMA), European Member State Competent Authorities and the Ministry of Health, Labour and Welfare (MHLW).

“Regulatory Approval” means any approvals, licenses, registrations or authorizations of any federal, state, provincial or local regulatory agency, department, bureau or other governmental entity necessary for the manufacture and sale of a product in a regulatory jurisdiction.

“Revenue Share” has the meaning ascribed to it in Section 3.2.

“Senior Staff at Angiotech” means individuals employed by Angiotech who are at or above the level of Senior Vice President.

“Technical Information” means all know-how, information, formulations, trade secrets, data and other proprietary information Controlled by Angiotech that are in existence as of the Effective Date and are necessary to for the use, sale or distribution of CT3 pursuant to this Agreement, plus the Manufacturing Technology, but excluding the Licensed Patent Rights; provided, however that any know-how, information, materials, formulations, trade secrets, data

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and other proprietary information (including Manufacturing Technology) disclosed by Angiotech to Histogenics pursuant to this Agreement shall continue to be Confidential Information of Angiotech.

“Term” has the meaning ascribed to it in Section 8.1.

“Territory” means worldwide.

“Warrants” has the meaning ascribed to it in Section 3.1.

“Warrant Agreement” means the Warrant Agreement between Angiodevice and Histogenics of even date herewith and attached hereto as Exhibit B.

2. **License Grant.**

2.1 Grant. Subject to terms and conditions of this Agreement, Angiotech hereby grants to Histogenics, a non-exclusive right and license under the Licensed Technology solely to make, have Made, use, offer to sell, sell and import Eligible Products in the Field in the Territory (the “Histogenics License”).

2.2 Sublicensing. Histogenics shall not have any rights to sublicense the Histogenics License, except as consented to in writing by Angiotech in advance, with such consent not to be unreasonably withheld, conditioned or delayed. No granting of any sublicense by Histogenics shall relieve Histogenics from or diminish any obligation of Histogenics under this Agreement and Histogenics shall be responsible for the performance by its permitted sublicensees under such sublicense. Any sublicense granted by Histogenics under this Agreement shall be subject to the terms and conditions of this Agreement.

2.3 Histogenics Improvements. **** Histogenics shall notify Angiotech in writing of any such Improvements as soon as reasonably possible and will provide Angiotech with a description of the Improvements. ****

2.4 Manufacturing of CT3.

(a) Initial Supply. Angiotech hereby agrees to supply Histogenics with 1000 kits containing CT3 to be used by Histogenics for pre-clinical and clinical studies. These kits shall be supplied to Histogenics at ****.

(b) Manufacturing Transfer. The Parties agree that commencing upon the Effective Date of this Agreement, Angiotech shall facilitate the transfer of manufacturing of CT3 to Histogenics. The Parties shall cooperate to expedite transfer of the CT3 Manufacturing

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Technology from Angiotech to Histogenics and Angiotech agrees to make employees of appropriate skill and experience reasonably available to Histogenics to facilitate such transfer of Manufacturing Technology. Part of the transfer of CT3 manufacturing by Angiotech will be the transferring of knowledge concerning suppliers of CT3 raw materials, and assisting Histogenics with the negotiation of supply contracts as required. Angiotech and Histogenics will cooperate to minimize the expenses associated with such transfer and to ensure that the transfer of the manufacturing is effectively coordinated. In no event will the transfer of manufacturing rights to Histogenics be deemed to prohibit Angiotech from manufacturing CT3, or from having CT3 manufactured, for its own purposes or for the purposes of other potential partners or customers.

(c) Manufacturing. Histogenics agrees that this License Agreement shall only permit Histogenics to manufacture CT3 for use by Histogenics in Eligible Products in the Field during the Term and to manufacture CT3 for Angiotech as provided for in Section 2.4(e). **** Technical Information, including Manufacturing Technology, is and shall remain the Confidential Information of Angiotech, and as such, shall be protected by Histogenics as provided for in Section 10.3.

(d) Costs. Except for costs to be borne by Angiotech as specifically set forth in this Agreement, Histogenics shall be solely responsible for any and all costs associated with the transfer of Manufacturing Technology to Histogenics. To facilitate the transfer, Histogenics shall pay to Angiotech **** per personnel work hour, plus reimbursement to Angiotech of all related and reasonable out-of-pocket expenses, for any personnel work hours of assistance required to facilitate the transfer of manufacturing. Angiotech shall be responsible for costs associated with the termination by Angiotech of the manufacture, storage and packaging of CT3 (including but not limited to any related severance payments to Angiotech employees). Histogenics may, at its election, hire Angiotech's employees that are involved in the manufacture of CT3, provided that Histogenics has obtained the prior consent of Angiotech to contact specific employee(s), which consent shall not be unreasonably withheld.

(e) Supply Back. After the Manufacturing Technology has been successfully transferred to Histogenics, and in the event that Angiotech wishes to purchase CT3 at any time thereafter during the Term, the Parties agree that they will enter into a supply agreement, which will contain, in addition to the usual and customary terms contained in such agreements, the following;

(i) Histogenics agrees to supply CT3 to Angiotech ****; and,

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(ii) Histogenics agrees to supply CT3 to Angiotech for use in commercial products ****; and,

(iii) As provided for in Section 2.4(c) above, Histogenics shall be required to ****.

(f) Regulatory Responsibility and Compliance. Histogenics will be responsible for obtaining and maintaining any establishment licenses or permits that are required by the FDA or any non-U.S. regulatory authority as manufacturer of CT3. At such time as any manufacturing transfer to Histogenics has been completed, Histogenics will be granted access to all current regulatory filings and approvals applicable to the manufacture of CT3 and Histogenics will be given the right to reference any establishment licenses or permits as required by the FDA or any non-U.S. regulatory agency, as applicable or allowable, for the purpose of obtaining and maintaining regulatory approval to manufacture CT3 or use it with any Eligible Product.

(g) Clinical Studies. To the extent permitted by applicable law and regulations, the data and results obtained from any clinical studies conducted by Histogenics with respect to CT3 will be promptly shared with Angiotech and Angiotech shall be entitled to use such data for research and development purposes and to generate Improvements.

3. Histogenics License Fees & Revenue Share.

3.1 License Fee. In consideration for the Histogenics License, Histogenics shall surrender to Angiotech warrants to purchase from Histogenics, for an exercise price of **** per warrant, a number of common shares equivalent to **** of the common shares of Histogenics outstanding as of the Effective Date under the terms and conditions of the Warrant Agreement (the "Warrants"). The Warrant Agreement shall contain appropriate anti-dilution provisions to ensure that such Warrants are not diluted to less than **** by the next **** of equity investment. Thereafter, such Warrants shall be subject to dilution.

3.2 Revenue Share.

(a) Revenue Sharing. As further consideration for the Histogenics License, within thirty (30) days after the end of each Calendar Quarter during the Term, Histogenics shall pay to Angiotech **** for so long as Histogenics's rights under this License are nonexclusive ("Revenue Share"). At any time prior to December 31, 2007, or, provided Angiotech has not granted any other party rights to the Licensed Technology within the Field, at any time thereafter, Histogenics can elect to convert this License to one of exclusivity within the Field or any portion thereof by giving notice to Angiotech, and in such event Histogenics shall thereafter pay **** of all Net

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Sales on those Eligible Products within the Field or portion thereof for which Histogenics elects to have exclusive rights to the Licensed Technology with respect thereto

(b) Obligation to Pay Revenue Share. The obligation on Histogenics to pay a Revenue Share to Angiodevice for Net Sales in a country as provided for in this Article 3 begins at the end of the Calendar Quarter within which the First Commercial Sale occurred in that country.

3.3 Non-Arm's-Length Sales. On sales made in other than an arm's-length transaction, the value of the Net Sales attributed under this Article 3 to such a transaction shall be that which would have been received in an arm's-length transaction. Sales between and among Histogenics and its Affiliates and permitted sublicensees that are intended for resale shall not be included in Net Sales until those Eligible Products are sold to a third party by Histogenics or its Affiliate or permitted sublicensee.

3.4 Reporting of Histogenics Revenue Share. Histogenics shall deliver to Angiotech together with each Revenue Share payment under Section 3.2 a written Revenue Share report setting forth for the applicable Calendar Quarter at least the following information:

(a) The date of the First Commercial Sale in each country in the Territory;

(b) The number of Eligible Products sold, rented, leased or otherwise made available to third parties by or on behalf of Histogenics and its Affiliates and permitted sublicensees, reported on a country-by-country basis;

(c) Total gross sales amounts received for such Eligible Products by jurisdiction, including separate items for the value of any goods or services received in exchange for Eligible Products, and any additional amounts to be added to Net Sales pursuant to Section 3.3;

(d) Deductions applicable to determine Net Sales for such period by country;

(e) The amount of the Revenue Share due or, if no Revenue Share is due, a statement that no Revenue Share is due; and

(f) Such other information as may reasonably be requested by Angiotech.

Each Revenue Share report shall be certified as correct by the CFO of Histogenics and shall include a detailed listing of all deductions made to determine Net Sales and to calculate the Revenue Share payable hereunder.

3.5 Payment of Revenue Share. All Revenue Share for each Calendar Quarter due under this Article 3 are to be paid in Dollars and are due within thirty (30) days after the end of each Calendar Quarter. For conversion of foreign currency to Dollars, the conversion rate shall be the New York foreign exchange rate quoted in The Wall Street Journal on the day that the

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payment is due. All payments shall be made by wire transfer to Angiotech's account in accordance with such instructions as Angiotech may direct from time to time. Any loss of exchange, value, taxes, or other expenses incurred in the transfer or conversion to Dollars shall be paid entirely by Histogenics. The Revenue Share report required by Section 3.4 shall accompany each such payment.

3.6 Late Payments. Interest will be assessed by Angiotech on any overdue payments at a rate of one percent (1%) per month, compounded monthly beginning on the due date of the applicable payment (an effective annual rate of 12.68 % per annum), or at such lower maximum rate permitted by law. The payment of such interest will not prevent Angiotech from exercising any other rights it may have as a consequence of the lateness of any payment.

3.7 Governmental Filings. Except for taxes based on Angiotech's income, Histogenics will be solely responsible for determining if any tax on Net Sales and Revenue Share payments is owed to any governmental authority and shall pay any such tax and be responsible for all filings with appropriate governmental authorities related thereto.

3.8 Audit Rights. Histogenics shall maintain complete and accurate records of all of its operations, and shall cause its Affiliates and permitted sublicensees to maintain complete and accurate records of all of their respective operations, within the scope of this Agreement. Such records shall be retained by Histogenics and any permitted sublicensees for five (5) years following each reporting period (as described in Section 3.4), and Angiotech, at its expense, shall have the right to have a certified public accountant inspect such records at the offices of Histogenics and its Affiliates and permitted sublicensees, as applicable, at any time during such retention period upon one (1) week prior notice by Angiotech. In the event the examination shows an underpayment for any Calendar Quarter, Histogenics shall pay to Angiotech the amounts underpaid, together with interest charges pursuant to Section 3.6. Where the amount of any such underpayment is more than three percent (3%) for any Contract Quarter, Histogenics shall also reimburse Angiotech for the reasonable cost of conducting such examination.

4. **Histogenics Diligence Obligations.**

4.1 Diligence Obligations. It is understood and acknowledged that part of the consideration for this License is Histogenics's intention to bring one or more Eligible Products to market through a program for exploitation of the Licensed Technology and, once commercialized, thereafter to continue active, diligent marketing and sales efforts for Eligible Products throughout the life of this Agreement. Histogenics further agrees that it shall be obligated to ****.

4.2 Failure to Meet Diligence Obligations. In the event that Histogenics has not fulfilled the required obligation of Section 4.1, then Angiotech shall be entitled, at its discretion, to treat any such failure as a material breach in accordance with Section 8.2(a) of this Agreement.

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4.3 Progress Reports. Histogenics agrees to provide information reasonably required by Angiotech to evaluate Histogenics' performance under this Agreement and to allow Angiotech to fulfill its obligations under any third party licenses. Angiotech and Histogenics shall be required to meet to discuss Histogenic's progress on or before March 1 of each Calendar Year. This meeting shall take place at Angiotech's office in Vancouver at a time to be determined by the Parties, but not later than March 1.

4.4 ****

5. **Other Obligations of Histogenics and Angiotech.**

5.1 Regulatory Approvals. Histogenics shall be responsible for obtaining all Regulatory Approvals for its Eligible Products in all geographical areas which it, in its sole discretion, deems necessary or advisable, including funding all pre-clinical and clinical studies deemed by Histogenics to be necessary or advisable for obtaining Regulatory Approvals. Angiotech agrees to provide reasonable assistance upon request by Histogenics in the pursuit of Regulatory Approvals for Eligible Products, and Histogenics shall reimburse Angiotech for its reasonable expenses of providing such assistance. Histogenics agrees that it shall provide to Angiotech copies of all correspondence, including but not limited to submissions, between Histogenics (and its permitted sublicensees) and all Regulatory Authorities within **** after receipt or submission (as applicable) to the extent they relate to CT3.

5.2 Patent Applications and Foreign Filing. Angiotech shall file, prosecute and maintain in force any and all patents and patent applications included in the Licensed Patent Rights and any patent and patent applications related to any Improvements. The filing, prosecution and maintenance of patents and patent applications pursuant to this Section 5.2 shall be done through patent counsel selected by Angiotech. To the extent Angiotech has the right to do so, Angiotech will keep Histogenics reasonably informed of all significant patent matters relating to the Licensed Patent Rights and the Improvements within the Field as they relate to Eligible Products.

5.3 Press Releases. The Parties agree that the public announcement of the execution of this Agreement shall be in the form of a press release to be agreed upon by the Parties.

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Thereafter, Angiotech and Histogenics shall be free to use the information set forth in such press release in future public announcements. With respect to other public statements that reference the other Party hereto, including submissions to the Securities and Exchange Commission, Canadian Securities Administrators or stock exchange or market system on which its securities are listed, such statements shall be submitted to the referenced Party for review and approval, which approval shall not be unreasonably withheld or delayed.

5.4 Publications. The Parties agree that neither Party will publish or present the results of studies carried out that relate to CT3 without the opportunity for prior review and approval by the other, with such approval not to be unreasonably withheld, conditioned or delayed. The publishing Party shall provide the other Party with the opportunity to review any proposed abstracts, manuscripts or presentations (including information to be presented orally) covering information arising from the use of the Licensed Technology under this Agreement, and not previously disclosed, at least **** prior to the intended submission for publication or (if not to be submitted first for publication) presentation. Each Party agrees, upon written request from the other, that it will not submit any such abstract or manuscript for publication or to make such presentation until, (a) the publishing Party has removed any Confidential Information as requested by the other Party, or (b) the other Party is given a reasonable period of time to secure patent protection for any material in such publication or presentation which it believes is patentable.

5.5 Clinical Data. To the extent permitted by applicable law and regulations, Histogenics shall provide to Angiotech in a timely manner any and all Clinical Data related to CT3 generated by or on behalf of Histogenics or its permitted sublicensees within **** of the generation of any such Clinical Data.

6. **Representations and Covenants**.

6.1 Representations and Warranties. Angiotech and Histogenics each represent and warrant to the other that:

(a) Organization & Power. It is a corporation duly organized and validly existing under the laws of its place of incorporation and has all requisite corporate power and authority to enter into this Agreement;

(b) Authorization. It is duly authorized by all requisite action to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby, and that the same do not conflict or cause a default with respect to its obligations under any other agreement;

(c) Execution & Delivery. It has duly executed and delivered this Agreement, and

(d) Laws, Rules & Regulations. It shall and shall cause its Affiliates and permitted sublicensees to, comply with all laws, rules and regulations applicable to the

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performance of its obligations hereunder, including, to the extent applicable to such Party, the discovery, development, pre-clinical and clinical testing, manufacture, distribution, import, export and sale of the Eligible Product(s).

6.2 Angiotech Representations and Warranties. Subject to Section 6.3, Angiotech represents and warrants to Histogenics that as of the Effective Date, except as otherwise set forth on Exhibit A hereto:

(a) Angiotech Controls the Licensed Patent Rights free of any liens or encumbrances and such Licensed Patent Rights include all of the rights Controlled by Angiotech and all of its Affiliates related to CT3;

(b) As of the Effective Date, Angiotech warrants that it has no actual knowledge of (a) prior art or inequitable conduct that would invalidate the patents listed in Exhibit A or other rights granted hereunder, or (b) any patents or patent applications, claiming inventions by the inventors of the Licensed Technology, which are controlled by Angiotech or any of its Affiliates, that are not included on Exhibit A attached hereto.

(c) To the knowledge of the Senior Staff at Angiotech Parent, Angiotech and/or Angiotech Parent have not received any notice from any Person claiming to have any right, title or interest in or to the Licensed Patent Rights in the Field; and,

(d) Angiotech has not entered into, and is not aware of, any outstanding options, licenses or agreements relating to the Licensed Patent Rights for use in Eligible Products.

6.3 Disclaimer.

(a) ANGIOTECH DOES NOT WARRANT THE VALIDITY OF THE LICENSED PATENTS AND MAKES NO REPRESENTATIONS WHATSOEVER WITH REGARD TO THE SCOPE OF THE LICENSED TECHNOLOGY OR THAT THE LICENSED TECHNOLOGY MAY BE EXPLOITED BY HISTOGENICS AND ITS AFFILIATES AND PERMITTED SUBLICENSEES WITHOUT INFRINGING THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS. ANGIOTECH EXPRESSLY DISCLAIMS ANY AND ALL IMPLIED OR EXPRESS WARRANTIES AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE LICENSED TECHNOLOGY. IN NO EVENT SHALL A PARTY BE LIABLE TO THE OTHER FOR INDIRECT, PUNITIVE, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING LOSS OF PROFITS AND LOSS OR INTERRUPTION OF BUSINESS, PROVIDED HOWEVER THAT THE FOREGOING PROVISION SHALL NOT BE CONSTRUED TO LIMIT A PARTY'S INDEMNIFICATION OBLIGATIONS UNDER SECTION 7.3 OF THIS AGREEMENT FOR THIRD PARTY CLAIMS WHICH MAY INCLUDE INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY AND OTHER TYPES OF DAMAGES.

7. **Infringement, Indemnity and Insurance.**

7.1 **Notification.**

(a) **By Histogenics.** With respect to any Licensed Patent Rights, Histogenics shall notify Angiotech in writing of any alleged or threatened infringement of such Licensed Patent Rights of which it becomes aware, and shall provide to Angiotech available evidence thereof.

(b) **By Angiotech.** With respect to any Licensed Patent Rights in the Field, Angiotech shall notify Histogenics in writing of any alleged or threatened infringement of such Licensed Patent Rights of which it becomes aware, and shall provide to Histogenics available evidence thereof.

7.2 **Defense and Enforcement of Licensed Patent Rights.**

(a) **Defense of Declaratory Judgment Action.** Angiotech shall be solely responsible, at its own expense, for defending any assertion of invalidity or unenforceability of the Licensed Patent Rights worldwide.

(b) **Non-Litigation Actions.** **** but not the obligation, to take actions to terminate alleged infringement identified pursuant to Section 7.1 without litigation (including the sole right to grant a license to the alleged infringer outside of the Field) with respect to Licensed Patent Rights.

(c) **Litigation Actions.** **** but not the obligation, to commence and control any Action, at its own expense. If Angiotech, in its sole discretion, elects to not take any Action against any alleged infringement of the Licensed Patent Rights, **** shall have the right to do so.

(d) **Recoveries.** Any damages or other recovery related to the Licensed Patent Rights, including compensatory and other non-compensatory damages or recovery actually received from a third party, shall belong **** unless the matter is pursued by **** pursuant to Section 7.2(c), above, in which event all damages and other recovery shall belong ****.

7.3 **Indemnification.**

(a) **Histogenics Indemnity.** Histogenics and each of its Affiliates and permitted sublicensees shall indemnify and hold Angiotech, its Affiliates, and their respective current and former officers, inventors, directors, employees, medical and professional staff, consultants, contractors and agents, and their respective successors, heirs and assigns, (“Angiotech Indemnitees”) harmless from and against any and all liability, damage, loss, cost (including reasonable attorneys’ fees and expenses of litigation) and expense incurred, (a “Loss”) resulting from or imposed upon the Angiotech Indemnitees or any of them by any third party in

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connection with any claims, suits, actions, demands or judgments, including claims for bodily injury or property damage, (i) relating to the use of the Licensed Technology and/or the development, manufacture, use, storage, handling, distribution or sale of any Eligible Product by or on behalf of Histogenics or its Affiliates or permitted sublicensees, or their respective employees, consultants, contractors and agents, (ii) due to a breach of this Agreement by Histogenics, its Affiliates or permitted sublicensees, or (iii) due to the negligence or willful misconduct of Histogenics, its Affiliates or permitted sublicensees or their respective employees, consultants, contractors and agents; provided, however, that the foregoing indemnity shall not apply to any Loss to the extent that such Loss was caused by negligent or willful misconduct, or a breach of this Agreement, by Angiotech or its Affiliates.

(b) Angiotech Indemnity. Angiotech shall indemnify and hold Histogenics and its Affiliates, and their respective current and former officers, inventors, directors, employees, medical and professional staff, consultants, contractors and agents, and their respective successors, heirs and assigns, (“Histogenics Indemnitees”) harmless from and against any and all Losses, resulting from or imposed upon the Histogenics Indemnitees or any of them by any third party in connection with any claims, suits, actions, demands or judgments, including any claim of bodily injury or property damage, (i) relating to the development, manufacture, use, storage, handling, distribution or sale of any product (other than Eligible Products) by Angiotech or its licensees or sublicensees (other than Histogenics and its Affiliates), (ii) due to a breach of this Agreement by Angiotech or its Affiliates, or (iii) due to the negligence or willful misconduct of Angiotech, its Affiliates or their respective employees, consultants, contractors and agents; provided, however, that the foregoing indemnity shall not apply to any Loss to the extent that such Loss was caused by negligent or willful misconduct, or a breach of this Agreement, by Histogenics or its Affiliates or permitted sublicensees.

(c) Claims Procedures. A Party entitled to be indemnified by the other Party (an “Indemnified Party”) pursuant to Section 7.3(a) or (b) hereof shall give written notice to the other Party (the “Indemnifying Party”) promptly after such Indemnified Party has actual knowledge of any threatened or asserted claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided:

(i) that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting there from, shall be approved by the Indemnified Party (which approval shall not be unreasonably withheld or delayed), and the Indemnified Party may participate in such defense at such Indemnified Party’s expense (unless (A) the employment of counsel by such Indemnified Party has been authorized by the Indemnifying Party; or (B) the Indemnified Party shall have reasonably concluded that there may be a conflict of interest between the Indemnifying Party and the Indemnified Party in the defense of such action, in each of which cases the Indemnifying Party shall pay the reasonable fees and expenses of one law firm serving as counsel for the Indemnified Party, which law firm shall be subject to approval, not to be unreasonably withheld or delayed, by the Indemnifying Party);

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(ii) the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement to the extent that such failure to give notice did not result in prejudice to the Indemnifying Party or the Indemnifying Party's insurer;

(iii) the Indemnifying Party, in the defense of any such claim or litigation, shall not, except with the approval of the Indemnified Party (which approval shall not be unreasonably withheld or delayed), consent to entry of any judgment or enter into any settlement which, (A) would result in injunctive or other relief being imposed against the Indemnified Party; or (B) does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation; and

(iv) the Indemnified Party shall furnish such information regarding itself or the claim in question as the Indemnifying Party may reasonably request in writing, and shall be reasonably required in connection with the defense of such claim or litigation resulting there from.

7.4 Insurance. Histogenics shall, at all times during the Term and until five (5) years after expiration of the last batch of Eligible Products sold or manufactured hereunder by or for Histogenics or its Affiliates, obtain and maintain at its own cost and expense, comprehensive commercial liability insurance, including, but not limited to, product liability and contractual liability insurance, and errors and omissions coverage, with respect to its activities hereunder from a reputable and financially secure insurance carrier. Such insurance shall be in such amounts and subject to such deductibles as the Parties may agree based upon standards prevailing in the industry at the time, but under no circumstances shall be less than, (a) prior to regulatory approval, the statutorily required minimum insurance level provided for in the jurisdiction in which the clinical trial or other research is being completed, and (b) after the First Commercial Sale in a country, the minimum that is customary in that country for similar products being sold in similar markets. Upon the written request of Angiotech, Histogenics shall provide copies of its Certificates of Insurance. Each policy will be endorsed to provide that the insurers will use reasonable efforts to give Angiotech, or its designee; not less than thirty (30) days prior written notice of any cancellation or material change in coverage. If Histogenics fails to place or maintain insurance as required under this Agreement, Angiotech or its designee may place and maintain such policy and all premium and other costs incurred by Angiotech or its designee shall be paid by Histogenics to Angiotech or its designee on demand.

8. Term and Termination.

8.1 The term of this Agreement shall, subject to the early termination provisions specifically provided for herein, begin on the Effective Date and end upon the expiration date of the last to expire United States or foreign patent included in the Licensed Patent Rights, including any United States or foreign patents which become part of the Licensed Patent Rights after the date of this Agreement as provided for herein.

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8.2 Early Termination by Angiotech. Notwithstanding the foregoing, and subject to the limitations set forth below, Angiotech shall be entitled in the following circumstances to terminate this Agreement:

(a) Material Breach. In the event that Histogenics materially breaches this Agreement, Angiotech shall have the right, at its sole election, to terminate this Agreement upon thirty (30) days, or ten (10) days in the case of breach for non-payment, prior written notice to Histogenics; provided, however, that if Histogenics shall cure the breach or default within the thirty (30) or the ten (10) day period, as applicable, all such licenses and agreements shall continue in full force and effect.

(b) Insolvency, Bankruptcy. In the event that Histogenics files a petition in bankruptcy or if an involuntary petition shall be filed against it and such petition shall not be dismissed within sixty (60) days, or if it shall become insolvent or admit its inability to pay its debts when due, or if a receiver or guardian shall be appointed for it, then all licenses granted to such Party under this Agreement shall immediately terminate.

(c) Challenge of Licensed Patent Rights. During the Term, should Histogenics or any of its Affiliates or permitted sublicensees (or any of successor or assign thereof) challenge the validity of any Licensed Patent Rights, or support, directly or indirectly, any such challenge to any Licensed Patent Rights, Angiotech shall be entitled to terminate this Agreement upon thirty (30) days prior written notice to Histogenics.

(d) Histogenics Merger or Acquisition. Angiotech may, upon thirty (30) days written notice to Histogenics, terminate this Agreement throughout the Territory or on a country by country basis (to be determined at Angiotech's sole discretion) if, (a) Histogenics is acquired or merges with a third party, and (b) the acquiring or merged-with third party or its Affiliate has developed or is marketing a Competitive Product prior to the acquisition of or merger with Histogenics, and (c) such acquisition or merger's resulting or surviving entity fails to either continue to develop or to sell Eligible Product, at a level reasonably similar to the development or sale that was occurring prior to the acquisition or merger, during the six (6) month period following the acquisition or merger. If the acquiring or merged-with entity, or any of its Affiliates, has developed or is marketing a Competitive Product prior to the acquisition or merger, Histogenics shall notify Angiotech of its acquisition by or merger with such third party no later than twenty (20) days after the expiration of the six (6) month period following the acquisition or merger, and shall furnish information to Angiotech reasonably necessary for Angiotech to determine whether Eligible Products have been developed, made, used, sold, offered for sale, marketed, distributed, or imported by the surviving entity or Histogenics during the six (6) month period following the acquisition or merger.

(e) Notwithstanding Section 8.1(d), Angiotech shall not have the right to terminate this Agreement in the event that, (i) Histogenics states in the notice of acquisition or merger required herein that the resulting or surviving entity or its Affiliate(s), as applicable, has made a binding commitment to discontinue the development or marketing of the Competitive Product, as the case may be, or to divest itself of such Competitive Product, and (ii) the resulting

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or surviving entity, or its Affiliate(s), in fact discontinues development or marketing, as the case may be, or divests itself of such Competitive Product within twelve (12) months after the consummation of the acquisition or merger. Angiotech's rights hereunder to give notice terminating this Agreement pursuant to this Section 8.1(d) shall lapse: (x) nine (9) months after the date of consummation of the acquisition or merger, or (y) three (3) months after Angiotech's receipt of the aforementioned notice of acquisition or merger.

8.3 Early Termination by Histogenics. Notwithstanding the foregoing, and subject to the limitations set forth below, Histogenics shall be entitled in the following circumstances to terminate this Agreement:

(a) Material Breach. In the event that Angiotech materially breaches this Agreement, Histogenics shall have the right, at its sole election, to terminate this Agreement upon thirty (30) days, or ten (10) days in the case of breach for non-payment, prior written notice to Angiotech; provided, however, that if Angiotech shall cure the breach or default within the thirty (30) or the ten (10) day period, as applicable, all such licenses and agreements shall continue in full force and effect.

(b) Insolvency, Bankruptcy. In the event that Angiotech files a petition in bankruptcy or if an involuntary petition shall be filed against it and such petition shall not be dismissed within sixty (60) days, or if it shall become insolvent or admit its inability to pay its debts when due, or if a receiver or guardian shall be appointed for it, then all licenses granted to such Party under this Agreement shall immediately terminate.

(c) Upon Notice. At Histogenics' election at any time upon at least one (1) year's prior notice.

8.4 Accrued Obligations. Upon termination of this Agreement for any reason, each of Angiotech and Histogenics shall remain liable for those obligations that accrued with respect to such license prior to the effective date of the termination. Histogenics may, for a period of no longer than twelve (12) months after the effective date of the termination of the Histogenics License, complete and sell any or all Eligible Products that it can demonstrate were in the process of manufacture or in inventory on the effective date of the termination; provided, however, that Histogenics shall remain obligated to pay any applicable Revenue Share thereon as provided in this Agreement. Within thirty (30) days after receipt of notice of termination, Histogenics shall provide Angiotech with an accounting of Eligible Products then on hand and in process and its best estimate of when within the twelve (12) month period sales of such products will conclude. Angiotech shall then have the right, but not the obligation, to purchase the inventory of CT3 at the cost of such material to Histogenics.

9. **Dispute Resolution**.

9.1 Negotiation of Parties. In the event of any dispute, claim or controversy arising out of or relating to the interpretation of any provision of this Agreement, to the performance of either Party under this Agreement or to any other matter under this Agreement, including any

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action in tort, contract or otherwise, at equity or law (a "Dispute"), either Party may at any time provide the other Party written notice specifying the terms of such Dispute in reasonable detail. As soon as practicable after receipt of such notice, the Chief Executive Officers of both Angiotech and Histogenics shall meet at a mutually agreed upon time and location for the purpose of resolving such Dispute. They shall engage in good faith discussions and/or negotiations for a period of up to thirty (30) days to resolve the Dispute or negotiate an interpretation or revision of the applicable portion of this Agreement which is mutually agreeable to both Parties, without the necessity of formal procedures relating thereto. During the course of such discussion and/or negotiation, the Parties shall reasonably cooperate and provide information that is not materially confidential in order so that each of the Parties may be fully informed with respect to the issues in the Dispute.

9.2 Arbitration. In the event any Dispute is not resolved pursuant to Section 9.1, then the same shall be submitted by the Parties to binding arbitration by a single arbitrator in Seattle, Washington in accordance with the AAA rules. The judgment rendered by the arbitrator shall include costs of arbitration, reasonable attorneys' fees and reasonable costs for expert and other witnesses. Nothing in this Agreement shall be deemed as preventing either Party from seeking injunctive relief (or any other provisional remedy). Any arbitrator chosen hereunder shall have educational training and industry experience sufficient to demonstrate a reasonable level of relevant scientific, medical and industry knowledge.

10. General Provisions.

10.1 Remedies. The Parties acknowledge and agree that, in the event of a breach or a threatened breach by either Party of this Agreement for which it will have no adequate remedy at law, the other Party may suffer irreparable damage and, accordingly, shall be entitled to injunctive and other equitable remedies to prevent or restrain such breach or threatened breach, without the necessity of posting any bond or surety, in addition to any other remedy they might have at law or at equity.

10.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington in force therein without regard to its conflict of law rules. Subject to Article 9, each Party hereby irrevocably consents to the exclusive jurisdiction and venue of the courts of Washington in connection with any action or proceeding brought by either Party against the other Party arising out of or relating to this Agreement.

10.3 Confidentiality. It is contemplated that in the course of the performance of this Agreement each Party may, from time to time, disclose Confidential Information to the other. Each Party agrees that for the Term and for a period of five (5) years thereafter, the receiving Party shall keep confidential and shall not publish or otherwise disclose, and will not use any Confidential Information except for the limited purposes set forth in this Agreement; provided, however, that no provision of this Agreement shall be construed to preclude such disclosure of Confidential Information as may be necessary or appropriate (a) to obtain from any governmental agency any necessary approval (subject to Section 5.6), (b) to file patent applications or obtain patents that are included in the Licensed Technology; provided, further,

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however, that the Party whose information is to be disclosed shall be notified as soon as possible and the Party that is being required to disclose such information shall, if requested by the Party whose information is to be disclosed, use reasonable good faith efforts, at the expense of the requesting Party, to assist in seeking a protective order (or equivalent) with respect to such disclosure or otherwise avoid making such disclosure. The receiving Party will take all precautions as are reasonably necessary to prevent unauthorized access to, reproduction, duplication, disclosure or use of the other Party's Confidential Information and shall only disclose the Confidential Information of the other Party to those of its officers, directors and employees, or to officers, directors and employees of its Affiliates, on a "need to know basis" provided each such officer, director or employees agrees in favor of the disclosing Party to be bound by the same obligations of secrecy and confidentiality that the receiving Party is bound to under this Agreement and provides further that the receiving Party shall be directly responsible to the disclosing Party for any losses or damages suffered as a result of the breach of such obligations by the receiving Party's directors, officers or employees.

10.4 Amendment and Waiver. No provision of or right under this Agreement shall be deemed to have been waived by any act or acquiescence on the part of any Party, its agents or employees, but only by an instrument in writing signed by an authorized officer of such Party. No waiver by either Party of any breach of this Agreement by the other Party shall be effective as to any other breach, whether of the same or any other term or condition and whether occurring before or after the date of such waiver.

10.5 Intellectual Property.

(a) Trademarks. During the Term, Histogenics shall have the right to market and advertise Eligible Products under their respective names, trademarks, trade names, labels, or other designations, provided however, that all packaging of CT3 included in the Eligible Products shall be marked with the trademark "****TM" (in a form to be provided by Angiotech, and as such trademark may be modified or substituted by Angiotech from time to time upon written notice to Histogenics). All respective names, trademarks, trade names, labels, or other designations used shall be, and the same shall remain, the property of their respective owners.

(b) Patents. Histogenics agrees to mark the CT3 or its packaging sold in the United States with all applicable U.S. patent numbers and similarly, when applicable, to indicate "Patent Pending" status. All CT3 manufactured in, shipped to, or sold in other countries shall be marked in such a manner as to protect and preserve the Licensed Patent Rights in such countries.

10.6 Independent Contractors. Each Party represents that it is acting on its own behalf as an independent contractor and is not acting as an agent for or on behalf of any third party. This Agreement and the relations hereby established by and between Angiotech and Histogenics do not constitute a partnership, joint venture, agency or contract of employment between them.

10.7 Assignment. Without limitation to the rights set forth in Section 8.2(d) and (e), this Agreement and Histogenics' rights and obligations hereunder

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10.8 Successors and Assigns. This Agreement shall bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

10.9 Notices. All communications hereunder shall be in writing and shall be deemed to have been duly given upon receipt by the addressee at the addresses set forth below, or such other address as either Party May specify by notice sent in accordance with this section:

If to Histogenics:	Histogenics Corporation 100 Hospital Road Malden, MA 02148 Attention: President Fax: (781) 321-9763
With a copy to:	Brown Rudnick Berlack Israels LLP One Financial Center Boston, MA 02111 Attention: **** Fax: (617) 856-8201
If to Angiotech:	Angiotech Biomaterials Corp. 1618 Station Street Vancouver, BC, Canada V6A 1B6 Attention: Chief Business Officer Fax: (604) 221-6915
With a copy to:	Angiotech Biomaterials Corp. 1618 Station Street Vancouver, BC, Canada V6A 1B6 Attention: General Counsel Fax: (604) 221-6915

10.10 Severability. In the event any provision of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or provision hereof. The Parties agree that they will negotiate in good faith or will permit a court or arbitrator to replace any provision hereof so held invalid, illegal or unenforceable with a valid provision which is as similar as possible in substance to the invalid, illegal or unenforceable provision.

10.11 Captions. Captions of the Sections and subsections of this Agreement are for reference purposes only and do not constitute terms or conditions of this Agreement and shall not limit or affect the terms and conditions hereof,

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10.12 Word Meanings. Words such as *herein*, *hereinafter*, *hereof* and *hereunder* refer to this Agreement as a whole and not merely to a Section or paragraph in which such words appear, unless the context otherwise requires. The singular shall include the plural, and each masculine, feminine and neuter reference shall include and refer also to the others, unless the context otherwise requires.

10.13 Entire Agreement. This Agreement and the Warrant Agreement including all exhibits to both contain the entire understanding of the Parties with respect to the transactions and matters contemplated hereby, including without limitation any licensing of the Licensed Technology, supersedes all prior agreements and understandings relating to the subject matter hereof, and no representations, inducements, promises or agreements, whether oral or otherwise, between the Parties not contained herein or incorporated herein by reference shall be of any force or affect.

10.14 Rules of Construction. The Parties agree that they have participated equally in the formation of this Agreement and that the language and terms of this Agreement shall not be presumptively construed against any of them.

10.15 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures of the Parties will have the same effect as original signatures. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

10.16 Survival. The following provisions shall survive the termination of this Agreement: Section 3.8, Article 7, Article 9, Section 8.4 and Section 10.3.

10.17 Compliance. The Parties shall comply fully with all applicable laws and regulations in connection with their respective activities under this Agreement.

CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed and delivered by their respective duly authorized officers as of the Effective Date.

ANGIOTECH BIOMATERIALS CORP.

By: /s/ Thomas Bailey
Name: Thomas Bailey
Title: VP BD
Date: 06/08/05

ANGIODEVICE INTERNATIONAL GmbH

By: /s/ Hans Peter Weber /s/ Jürg Dannecker
Name: Hans Peter Weber Jürg Dannecker
Title: Managing Director Managing Director
Date: 24 June 2005 24 June 2005

HISTOGENICS CORPORATION

By: /s/ Laurence J Berlowitz Tarrant
Name: Laurence J Berlowitz Tarrant
Title: President
Date: 15 July 2005

EXHIBIT A

Licensed Patent Rights

CONFIDENTIAL TREATMENT REQUESTED

ANGIOTECH PATENT SCHEDULE

<u>PATENT FAMILY</u>	<u>ANPI REF. #</u>	<u>PATENT NUMBER</u>	<u>TITLE</u>	<u>DATES</u>	<u>INTERNATIONAL PATENTS AND APPLICATIONS (PER PATENT FAMILY)</u>
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****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

ANGIOTECH PATENT SCHEDULE

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EXHIBIT B

Warrant Agreement

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS WARRANT UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

WARRANT

to purchase shares of common stock of

HISTOGENICS CORPORATION

Warrant No. CS-1

Effective Date: May 12, 2005

Expiration Date: May 11, 2010

This certifies that ANGIODEVICE INTERNATIONAL GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland, or their transferees or assigns (collectively, the "Holder") for the agreed upon value of and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, shall be entitled to purchase from HISTOGENICS CORPORATION, a corporation organized and existing under the laws of Massachusetts, with principal offices at 100 Hospital Road, Malden, MA 02148 (the "Company"), **** fully paid and nonassessable shares of the Company's Common Stock (the "Common Stock") which represent **** of the fully diluted equity securities (inclusive of but not limited to all classes of common stock, preferred stock and any outstanding stock options or restricted stock) issued and outstanding as of the Effective Date as defined in the License Agreement (as defined below) for cash at a price of **** per share (the "Exercise Price") at any time, or from time to time, up to and including 5:00 p.m. Pacific time on the Expiration Date, upon the surrender to the Company at its principal place of business (or at such other location as the Company may advise the Holder in writing) of this Warrant properly endorsed, a Subscription Form in substantially the form attached hereto as **Exhibit A** duly filled in and signed and, as applicable, upon payment in cash or by check of the aggregate Exercise Price for the number of shares for which this Warrant is being exercised determined in accordance with the provisions hereof, or the surrender of the right to acquire the number of shares of Common Stock determined in accordance with Section 1.2. The Exercise Price and the number of shares of Common Stock purchasable hereunder are subject to adjustment as provided in Section 3 of this Warrant.

The Warrant is being issued pursuant to the License Agreement between the Company and the Holder dated as of May 12, 2005 (the "License Agreement"). This Warrant is referred to as the "Warrant" in the License Agreement.

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CONFIDENTIAL TREATMENT REQUESTED

The number of shares of Common Stock shall be subject to increase based on the sale of the next **** of equity securities by the Company as provided for in the License Agreement. Upon the occurrence of such event, this Warrant shall be cancelled and replaced with a new warrant of like tenor reflecting the additional shares of Common Stock which this Warrant entitles the Holder to purchase.

This Warrant is subject to the following terms and conditions:

1. EXERCISE; ISSUANCE OF CERTIFICATES; PAYMENT FOR SHARES.

1.1 General. This Warrant is exercisable at the option of the holder of record hereof at any time, or from time to time, up to the Expiration Date for all or any part of the shares of Common Stock (but not for a fraction of a share), which may be purchased hereunder. The Company agrees that the shares of Common Stock purchased under this Warrant shall be and are deemed to be issued to the Holder hereof as the record owner of such shares as of the close of business on the date on which this Warrant, properly endorsed, the completed and executed Form of Subscription and appropriate payment for such shares shall have each been delivered to the Company at its principal place of business. Certificates for the shares of Common Stock so purchased, together with any other securities or property to which the Holder is entitled upon such exercise, shall be delivered to the Holder by the Company at the Company's expense within a reasonable time after the rights represented by this Warrant have been so exercised, and in any event, within five (5) business days of such exercise. In case of a purchase of less than all the shares which may be purchased under this Warrant, the Company shall cancel this Warrant and execute and deliver a new Warrant or Warrants of like tenor for the balance of the shares purchasable under the Warrant surrendered upon such purchase to the Holder hereof within a reasonable time. Each stock certificate so delivered shall be in such denominations of Common Stock as may be requested by the Holder hereof

2. SHARES TO BE FULLY PAID; RESERVATION OF SHARES. The Company covenants and agrees that all shares of Common Stock which may be issued upon the proper exercise of the rights represented by this Warrant and payment of the Exercise Price will, upon issuance, be duly authorized, validly issued, fully paid and nonassessable and free from all preemptive rights of any shareholder and free of all taxes, liens and charges with respect to the issue thereof. The Company further covenants and agrees that, during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved, for the purpose of issue or transfer upon exercise of the subscription rights evidenced by this Warrant, a sufficient number of shares of authorized but unissued Common Stock, or other securities and property, when and as required to provide for the exercise of the rights represented by this Warrant. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any domestic securities exchange upon which the Common Stock may be listed; provided, however, that the Company shall not be required to effect a registration under Federal or State securities laws with respect to such exercise. The Company will not take any action which would result in any adjustment of the Exercise Price (as set forth in Section 3 hereof) if the total number of shares of Common Stock issuable after such action upon exercise of all outstanding warrants, together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon exercise of

Common Stock Warrant

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all options and upon the conversion of all convertible securities and other equity purchase rights then outstanding, would exceed the total number of shares of Common Stock then authorized by the Company's Articles/Certificate of Incorporation (the "Company Charter").

3. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF SHARES. The Exercise Price and the number of shares purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the occurrence of certain events described in this Section 3. Upon each adjustment of the Exercise Price, the Holder of this Warrant shall thereafter be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of shares obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares purchasable pursuant hereto immediately prior to such adjustment, and dividing the product thereof by the Exercise Price resulting from such adjustment.

3.1 Subdivision or Combination of Stock. In case the Company shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined into a smaller number of shares (by reverse stock split or otherwise), the Exercise Price in effect immediately prior to such combination shall be proportionately increased.

3.2 Dividends in Common Stock, Other Stock, Property, Reclassification. If at any time or from time to time the Holders of Common Stock (or any shares of stock or other securities at the time receivable upon the exercise of this Warrant) shall have received or become entitled to receive, without payment therefor,

(a) Common Stock or any shares of stock or other securities which are at any time directly or indirectly convertible into or exchangeable for Common Stock, or any rights or options to subscribe for, purchase or otherwise acquire any of the foregoing by way of dividend or other distribution,

(b) any cash paid or payable otherwise than as a cash dividend, or

(c) Common Stock or additional stock or other securities or property (including cash) by way of spinoff, split-up, reclassification, combination of shares or similar corporate rearrangement, (other than shares of Common Stock issued as a stock split or adjustments in respect of which shall be covered by the terms of Section 3.1 above),

then, and in each such case, the Holder hereof shall, upon the exercise of this Warrant, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without payment of any additional consideration therefor, the amount of stock and other securities and property (including cash in the cases referred to in clause (b) above and this clause (c)) which such Holder would hold on the date of such exercise had he been the holder of record of such Common Stock as of the date on which holders of Common Stock received or became entitled to receive such shares or all other additional stock and other securities and property.

3.3 Reorganization, Consolidation, Merger or Sale. If any recapitalization or reorganization of the capital stock of the Company, or any consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets or other

transaction shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, or other assets or property (an "Organic Change"), then, as a condition of such Organic Change, lawful and adequate provisions shall be made by the Company whereby the Holder hereof shall thereafter have the right to purchase and receive (in lieu of the shares of the Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented by this Warrant) such shares of stock, securities or other assets or property as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable upon the exercise of the rights represented by this Warrant. In the event of any Organic Change, appropriate provision shall be made by the Company with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of shares purchasable and receivable upon the exercise of this Warrant) shall thereafter be applicable, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof.

3.4 Certain Events. If any change in the outstanding Common Stock of the Company or any other event occurs as to which the other provisions of this Section 3 are not strictly applicable or if strictly applicable would not fairly protect the purchase rights of the Holder of the Warrant in accordance with such provisions, then the Board of Directors of the Company shall make an adjustment in the number and class of shares available under the Warrant, the Exercise Price or the application of such provisions, so as to protect such purchase rights as aforesaid. The adjustment shall be such as will give the Holder of the Warrant upon exercise for the same aggregate Exercise Price the total number, class and kind of shares as the Holder would have owned had the Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment.

3.5 Notices of Change.

(a) Upon any adjustment in the number or class of shares subject to this Warrant and/or of the Exercise Price, the Company shall give reasonable written notice thereof to the Holder, setting forth in reasonable detail and certifying the calculation of such adjustment.

(b) The Company shall give written notice to the Holder at least 10 business days prior to the date on which the Company closes its books or takes a record for determining rights to receive any dividends or distributions.

(c) The Company shall also give written notice to the Holder at least 10 business days prior to the date on which an Organic Change shall take place.

4. ISSUE TAX. The issuance of certificates for shares of Common Stock upon the exercise of the Warrant shall be made without charge to the Holder of the Warrant for any issue tax (other than any applicable income taxes) in respect thereof; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the Holder of the Warrant being exercised.

5. CLOSING OF BOOKS. The Company will not unreasonably close its transfer books in any manner which interferes with the timely exercise of this Warrant.

6. NO VOTING OR DIVIDEND RIGHTS; LIMITATION OF LIABILITY. Nothing contained in this Warrant shall be construed as conferring upon the Holder hereof the right to vote or to consent or to receive notice as a shareholder of the Company or any other matters or any rights whatsoever as a shareholder of the Company. No dividends or interest shall be payable or accrued in respect of this Warrant or the interest represented hereby or the shares purchasable hereunder until, and only to the extent that this Warrant shall have been exercised. No provisions hereof, in the absence of affirmative action by the holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the holder hereof, shall give rise to any liability of such Holder for the Exercise Price or as a shareholder of the Company, whether such liability is asserted by the Company or by its creditors.

7. WARRANTS NOT TRANSFERABLE. This Warrant is not transferable, in whole or in part without the prior written consent of the Company, except as otherwise specifically provided for herein.

8. REGISTRATION RIGHTS. The Holder has the right to cause the Company to register the Common Stock issued upon exercise hereof, under the Securities Act and any blue sky or securities laws of any jurisdictions within the United States at the time and in the manner specified in this Section 8.

8.1 Registrable Securities. As used herein the term “Registrable Security” means the shares of Common Stock, and any shares issued upon any stock split or stock dividend in respect of such shares of Common Stock; provided, however, that with respect to any particular Registrable Security, such security shall cease to be a Registrable Security when, as of the date of determination, (i) it has been effectively registered under the Securities Act and disposed of pursuant thereto, (ii) registration under the Securities Act is no longer required for subsequent public distribution of such security under Rule 144(k) promulgated under the Securities Act or otherwise, or (iii) it is no longer held by the Holder. The term “Registrable Securities” means any and/or all of the securities falling within the foregoing definition of a “Registrable Security.” In the event of any merger, reorganization, consolidation, recapitalization or other change in corporate structure affecting the Common Stock, such adjustment shall be made in the definition of “Registrable Security” as is appropriate in order to prevent any dilution or enlargement of the rights granted pursuant to this Section 8.

8.2 Piggyback Registration. In the event that the Company proposes to prepare and file any new registration statement or post-effective amendments with the intent of issuing a public offering (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any employee benefit plan or a corporate reorganization) (for purposes of this Section 7, collectively, the “Registration Statement”), it will give written notice of its intention to do so by certified mail, return receipt requested (“Notice”), at least thirty (30) business days prior to the filing of each such Registration Statement, to the Holder. Upon the written request of the Holder, made within twenty (20) business days after receipt by the Holder of the Notice, that the Company include any of the Holder’s Registrable Securities in the proposed Registration Statement, the

CONFIDENTIAL TREATMENT REQUESTED

Company shall use its best efforts to effect the registration under the Securities Act of the Registrable Securities which it has been so requested to register (“Piggyback Registration”); at the Company’s sole cost and expense and at no cost or expense to (except as provided in Section 8.3(a) hereof). If the Holder decides not to include all of its Registrable Securities in any Registration Statement thereafter filed by the Company, the Holder shall nevertheless continue to have the right to include any Common Stock in any subsequent Registration Statement or Registration Statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

If a Registration Statement under which the Company gives notice under this Section 8.2 is for an underwritten offering, then the Company shall so advise the Holder. In such event, the right of the Holder’s Common Stock to be included in a registration pursuant to this Section 8.2 shall be conditioned upon Holder’s participation in such underwriting and the inclusion of Holder’s Common Stock in the underwriting. If Holder proposes to distribute any Common Stock through such underwriting, Holder shall enter into an underwriting agreement in customary form with the managing underwriter or underwriter(s) selected for such underwriting.

Notwithstanding the provisions of this Section 8.2, the Company shall have the right at any time after it shall have given written notice pursuant to this Section 8.2 (irrespective of whether any written request for inclusion of Registrable Securities shall have already been made) to elect not to file any such proposed Registration Statement, or to withdraw the same after the filing but prior to the effective date thereof.

8.3 Covenants of the Company With Respect to Registration. The Company covenants and agrees as follows:

(a) The Company shall pay all costs, fees and expenses (other than underwriting fees, discounts and nonaccountable expense allowance applicable to the Registrable Securities and fees and expenses of counsel retained by the Holder) in connection with all Registration Statements including, without limitation, the Company’s legal and accounting fees, printing expenses, and blue sky fees and expenses.

(b) The Company will use its reasonable best efforts to take all necessary action which may be required in qualifying or registering the Registrable Securities included in the Registration Statement for offering and sale under the securities or blue sky laws of such states as are reasonably requested by the Holder.

(c) To the fullest extent permitted by law, the Company will indemnify and hold the Holder harmless against any losses, claims, damages, or liabilities to which it may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “Violation”) by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading,

CONFIDENTIAL TREATMENT REQUESTED

or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by the Registration Statement; and the Company will reimburse the Holder for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished to it expressly for use in connection with such registration by the Holder.

(d) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action (including any governmental action), such indemnified party shall, if a claim in respect thereof is to be made against any indemnifying party under this Section, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party; and provided further, that if there is more than one indemnified party, the indemnifying party shall pay for the fees and expenses of one counsel for any and all indemnified parties to be mutually agreed upon by such indemnified parties, unless representation of an indemnified party by the counsel retained by the other indemnified parties would be inappropriate due to actual or potential differing interests between such indemnified parties. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 8.

(e) In the event that the indemnification provided for in this Section 8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged

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untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. No person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11 of the Securities Act) shall be entitled to contribution from any person or entity that is not found to have been guilty of such fraudulent misrepresentation.

9. FURTHER REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY.

(a) Articles and Bylaws. The Company has made available to Holder true, complete and correct copies of the Company Charter and Bylaws, as amended, through the date hereof.

(b) Due Authority. The execution and delivery by the Company of this Warrant and the performance of all obligations of the Company hereunder, including the issuance to Holder of the right to acquire the shares of Common Stock, have been duly authorized by all necessary corporate action on the part of the Company, and the Warrant is not inconsistent with the Company Charter or Bylaws and constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms.

(c) Consents and Approvals. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant, except for any filing required by applicable federal and state securities laws, which filing will be effective by the time required thereby.

10. REPRESENTATIONS AND COVENANTS OF THE HOLDER. This Warrant has been entered into by the Company in reliance upon the following representations and covenants of the Holder:

(a) Investment Purpose. The Warrant and the Common Stock issuable upon exercise of the Warrant will be acquired for investment and not with a view to the sale or distribution of any part thereof, and the Holder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration or exemption pursuant to the 1933 Act.

(b) Private Issue. The Holder understands (i) that the Warrant and the Common Stock issuable upon exercise of this Warrant is not registered under the 1933 Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant will be exempt from the registration and qualifications requirements thereof pursuant to Section 4(2) of the 1933 Act and any applicable state securities laws, and (ii) that the Company's reliance on such exemption is predicated on the representations set forth in this Section 10.

CONFIDENTIAL TREATMENT REQUESTED

(c) Disposition of Holders Rights.: In no event will the Holder make a disposition of the Warrant or the Common Stock issuable upon exercise of the Warrant unless and until (i) the Company shall have approved of the proposed disposition, and (ii) if requested by the Company, it shall have furnished the Company with an opinion of counsel (which counsel may either be inside or outside counsel to the Holder) satisfactory to the Company and its counsel to the effect that (A) appropriate action necessary for compliance with the 1933 Act has been taken, or (B) an exemption from the registration requirements of the 1933 Act is available. Notwithstanding the foregoing, the restrictions imposed upon the transferability of any of its rights to acquire Common Stock or the Common Stock issuable on the exercise of such rights do not apply to transfers from the beneficial owner of any of the aforementioned securities to its nominee or from such nominee to its beneficial owner, and shall terminate as to any particular share of Common Stock when (1) such security shall have been effectively registered under the 1933 Act and sold by the holder thereof in accordance with such registration or (2) such security shall have been sold without registration in compliance with Rule 144 under the 1933 Act, or (3) a letter shall have been issued to the Holder at its request by the staff of the Securities and Exchange Commission or a ruling shall have been issued to the Holder at its request by such Commission stating that no action shall be recommended by such staff or taken by such Commission, as the case may be, if such security is transferred without registration under the 1933 Act in accordance with the conditions set forth in such letter or ruling and such letter or ruling specifies that no subsequent restrictions on transfer are required. Whenever the restrictions imposed hereunder shall terminate, as hereinabove provided, the Holder or holder of a share of Common Stock then outstanding as to which such restrictions have terminated shall be entitled to receive from the Company, without expense to such holder, one or more new certificates for the Warrant or for such shares of Common Stock not bearing any restrictive legend.

(d) Financial Risk. The Holder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment.

(e) Risk of No Registration. The Holder understands that if the Company does not register with the Securities and Exchange Commission pursuant to Section 12 of the 1933 Act, or file reports pursuant to Section 15(d), of the Securities Exchange Act of 1934 (the "1934 Act"), or if a registration statement covering the securities under the 1933 Act is not in effect when it desires to sell (i) the Warrant, or (ii) the Common Stock issuable upon exercise of the Warrant, it may be required to hold such securities for an indefinite period. The Holder also understands that any sale of the Warrant or the Common Stock issuable upon exercise of the Warrant which might be made by it in reliance upon Rule 144 under the 1933 Act may be made only in accordance with the terms and conditions of that Rule.

(f) Accredited Investor. Holder is an "accredited investor" within the meaning of Rule 501 of Regulation D under the 1933 Act, as presently in effect.

11. MODIFICATION AND WAIVER. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

CONFIDENTIAL TREATMENT REQUESTED

12. NOTICES. Any notice, request or other document required or permitted to be given or delivered to the holder hereof or the Company shall be delivered or shall be sent by an established overnight service provider (e.g., Federal Express), or registered or certified mail, postage prepaid, to each such holder at its address as shown on the books of the Company or to the Company at the address indicated therefor in the first paragraph of this Warrant or such other address as either may from time to time provide to the other in accordance with this Section.

13. BINDING EFFECT ON SUCCESSORS. This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets. All of the obligations of the Company relating to the Common Stock issuable upon the exercise of this Warrant shall survive the exercise and termination of this Warrant. All of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of the holder hereof.

14. DESCRIPTIVE HEADINGS AND GOVERNING LAW. The description headings of the several sections and paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Delaware, without giving effect to principles of conflicts of laws.

15. LOST WARRANTS. The Company represents and warrants to the Holder hereof that upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant, the Company, at its expense, will make and deliver a new Warrant, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant.

16. FRACTIONAL SHARES. No fractional shares shall be issued upon exercise of this Warrant. The Company shall, in lieu of issuing any fractional share, pay the holder entitled to such fraction a sum in cash equal to such fraction multiplied by the then effective Exercise Price.

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CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its officers, thereunto duly authorized.

Dated: May 12, 2005

HISTOGENICS CORPORATION

(Corporate Seal)

By: /s/ Laurence Berlowitz
Name: Laurence Berlowitz Tarrant, Ph.D.
Title: President

Attest:

/s/ Laurence J B Tarrant

Secretary

Common Stock Warrant

CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT A

Subscription Form

To: _____

Date: _____

The undersigned hereby subscribes for _____ shares of Common Stock covered by this Warrant. The certificate(s) for such shares shall be issued in the name of the undersigned or as otherwise indicated below:

Signature

Name: _____

Address: _____

[OR]

Net Issue Election Notice

To: _____

Date: _____

The undersigned hereby elects under Section 4 to surrender the right to purchase _____ shares of Common Stock pursuant to this Warrant. The certificate(s) for the shares issuable upon such net issue election shall be issued in the name of the undersigned or as otherwise indicated below.

Signature

Name: _____

Address: _____

CONFIDENTIAL TREATMENT REQUESTED**AMENDMENT TO****LICENSE AGREEMENT (1st Amendment)**

This Amendment to License Agreement, effective August 31, 2007, is by and among:

Angiotech Pharmaceuticals (US), Inc., a corporation organized and existing under the laws of Washington, with principal offices at North Bend, WA (“Angiotech US”);

Angiodevice International GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland (“Angiodevice”); and

Histogenics Corporation, a corporation organized and existing under the laws of Delaware (formerly under the laws of Massachusetts), with principal offices at 830 Winter Street, 3rd Floor, Waltham, MA 02451 (formerly at 100 Hospital Road, Malden, MA 02148) (“Histogenics”).

WITNESSETH

WHEREAS, Angiotech Biomaterials Corp (“Biomaterials”), Angiodevice and Histogenics entered into that certain License Agreement effective as of May 12, 2005 pursuant to which Angiotech licensed to Histogenics the right to use certain domestic and foreign patents, patent applications and know how relating to the manufacture and use of CT3 (the “Agreement”), a copy of which is attached hereto;

WHEREAS, effective as of November 4, 2005, all of the assets of Biomaterials were sold to Angiotech US and Biomaterials was wound up (“Angiodevice” and “Angiotech US” shall be collectively referred to as “Angiotech”);

WHEREAS, in connection with such sale of assets, Biomaterials assigned the Agreement to Angiotech US and Angiotech US assumed all rights and obligations of Biomaterials under the Agreement as if it were the original party thereto;

WHEREAS, Angiotech US represents and warrants to Histogenics that Angiotech US has assumed all rights and obligations of Biomaterials under the Agreement; and,

WHEREAS, Angiotech US, Angiodevice and Histogenics have determined that it is in their best interests to amend certain provisions of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Angiodevice, Angiotech US and Histogenics (Angiotech US, Angiodevice and Histogenics shall be individually referred to as “Party” and collectively as “Parties”) hereby agree as follows:

CONFIDENTIAL TREATMENT REQUESTED

1. Definitions. Capitalized terms shall have the meanings set forth in the Agreement. The following defined terms shall be added to Section 1 Definitions of the Agreement in the correct alphabetical order:

“Conversion to Exclusivity” shall have the meaning ascribed to it in Section 3.2(a).

“Exclusivity Deadline” shall have the meaning ascribed to it in Section 3.2(a).

“Exclusivity Payment” shall have the meaning ascribed to it in Section 3.2(a).

“Revenue Share Reduction Payment” shall have the meaning ascribed to it in Section 3.2(a).

2. License Grant. Section 2.1 Grant of the Agreement is hereby amended to include the following additional sentence:

“Prior to the Exclusivity Deadline as defined in Section 3.2(a) below, and after the Exclusivity Deadline if Histogenics pays Angiotech the Exclusivity Payment, also as defined in Section 3.2(a) below, Angiotech shall not grant to any other Person any rights to or license under the Licensed Technology to make, have made, use, offer to sell, sell or import any products containing CT3 for use in the Field in the Territory.”

3. Third Party Manufacture. The second sentence of Section 2.4(c) Manufacturing of the Agreement is hereby changed and replaced with the following:

“In the event that Histogenics intends to have a third party manufacture CT3, Histogenics shall ****.”

4. Supply Back. Section 2.4(e)(iv) is hereby added to the Agreement as follows:

(iv) Notwithstanding anything to the contrary in Section 2.4, Angiotech hereby acknowledges and confirms that Histogenics may sublicense to **** (currently a subsidiary of ****) the right to manufacture CT3 or any components of CT3, including methylated collagen. Further, Angiotech acknowledges that **** is using certain equipment (as more fully described and listed in Exhibit C (the “****”)) owned by Angiotech in connection therewith, and Angiotech confirms that **** may continue to use such equipment in connection with the manufacture of CT3 or any of its components. Histogenics

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

hereby agrees to purchase the **** at the agreed to purchase price of ****.

5. Supply Back. Section 2.4(e)(i) of the Agreement is hereby deleted in its entirety and replaced with the following new Section 2.4(e)(i):

“(i) Histogenics shall use commercially reasonable efforts to supply CT3 to Angiotech at ****, for use only for research and in preclinical and clinical studies by Angiotech. Histogenics shall not be required to produce any quantities of CT3 for use in commercial products by Angiotech except, (i) where Angiotech has provided Histogenics with at least **** lead time for delivery of CT3 and, (ii) where the amount of CT3 ordered by Angiotech does not exceed **** of the amount to be produced by Histogenics during that **** period. In the event that **** of the amount of CT3 being produced by Histogenics is not sufficient to fill an order by Angiotech, Histogenics shall deliver the remaining portions of the order from subsequent production runs. For further clarification, Angiotech shall never be entitled to more than **** of a production run, except at the sole discretion of Histogenics.”

6. Equipment Purchase. A new section, Section 2.4(h) is hereby added to the Agreement as follows:

(h) Equipment Purchase. Histogenics hereby agrees to purchase for **** from Angiotech the equipment used in the making of CT3 located at ****, that is the property of Angiotech. A list of such equipment is provided in Exhibit C. Histogenics shall be required to pay to Angiotech the **** by September 28, 2007, and upon receipt of such payment in full, all right, title and interest in and to the **** Equipment shall automatically and without any further action on the part of either Party be sold, assigned, conveyed and transferred to Histogenics, free and clear of all liens and encumbrances of any kind. Histogenics acknowledges and agrees that Angiotech makes no representations or warranties regarding the **** Equipment, or the accuracy or completeness of Exhibit C, and that Histogenics is purchasing the **** Equipment on an “as is and where is” basis.

7. Revenue Sharing. Section 3.2(a) Revenue Sharing of the Agreement is hereby deleted in its entirety and replaced with the following new Section 3.2(a):

“(a) Revenue Sharing.

(i) As further consideration for the Histogenics License, within **** after the end of each Calendar Quarter during the Term, Histogenics shall pay to Angiotech **** of the first **** of Net Sales of Eligible Products and, thereafter, **** of Net Sales of Eligible Products until such time as Histogenics makes the Revenue Share Reduction Payment, as defined below.

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

(ii) At any time prior to the first to occur of, (A) ****, or (B) **** (the "Exclusivity Deadline"), Histogenics may elect to convert this License to one of exclusivity within the Field by giving notice to Angiotech and paying one million dollars (\$1,000,000) to Angiotech (the "Exclusivity Payment") within fifteen (15) days of such notice (the "Conversion to Exclusivity").

(iii) If Histogenics exercises the Conversion to Exclusivity and at such time as Histogenics pays to Angiotech prior to **** an additional two million dollars (\$2,000,000) (the "Revenue Share Reduction Payment"), Histogenics shall thereafter be required to pay to Angiotech **** of Net Sales of those Eligible Products that contain living human cartilage cells and **** of Net Sales of those Eligible Products that do not contain living human cartilage cells. The payments of a percentage of Net Sales of Eligible Products as determined in this Section 3.2(a) shall be referred to herein as the "Revenue Share".

8. Obligation to Pay Revenue Share. Section 3.2(b) Obligation to Pay Revenue Share of the Agreement is hereby amended to change the reference to Angiodevice to Angiotech.

9. Diligence Obligations. The last sentence of Section 4.1 Diligence Obligations of the Agreement shall be deleted in its entirety and replaced with the following:

**** Any such failure to **** will be considered a material breach of this Agreement as that term is used in Section 8.2(a)."

10. ****

11. Publications. Section 5.4 Publications of the Agreement is hereby deleted in its entirety and replaced with the following:

"5.4 Publications. Neither Party will publish or present the results of studies carried out that relate to the performance of CT3 or that contain any Confidential Information of the other Party without (a) such other Party's prior consent, or (b) providing such other Party with the opportunity to remove any Confidential Information contained therein."

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

12. Accrued Obligations. The second sentence of Section 8.4 Accrued Obligations of the Agreement is hereby amended by adding the following phrase to the end of the sentence:

“...during such **** period.”

13. Confidentiality. The reference in Section 10.3 Confidentiality of the Agreement to Section 5.6 is hereby changed to Section 5.1 and Section 5.2.

14. Notices. The address for notice to Histogenics in Section 10.9 Notices of the Agreement is hereby changed to:

If to Histogenics: Histogenics Corporation
830 Winter Street, 3rd Floor
Waltham, MA 02451
Attention: Richard C. Vaillant

With a copy to: Pepper Hamilton LLP
101 Federal Street, Suite 1010
Boston, MA 02110
Attention: ****

15. License Agreement. Except as specifically otherwise amended as set forth herein, the Agreement shall continue in full force and effect.

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

16. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures of the Parties will have the same effect as original signatures. In making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed and delivered by the respective duly authorized officers as of the date set forth above.

ANGIOTECH PHARMACEUTICALS (US), INC.

By: /s/ David Hall

Name: David Hall
Title: CFO
Date: October 4, 2007

ANGIODEVICE
INTERNATIONAL GmbH:

By: /s/ Hans Peter Weber

Name: Hans Peter Weber
Title: Managing Director
Date: 26th Sept. 2007

By: /s/ Jürg Dannecker

Name: Jürg Dannecker
Title: Managing Director
Date: 26/09/2007

HISTOGENICS CORPORATION

By: /s/ Steven Berrota

Name: Steven Berrota
Title: President & CEO
Date: 9/11/07

CONFIDENTIAL TREATMENT REQUESTED

SECOND AMENDMENT

TO

LICENSE AGREEMENT

THIS SECOND AMENDMENT TO LICENSE AGREEMENT (this "Second Amendment"), effective January 1, 2008, is by and among:

Angiotech Pharmaceuticals (US), Inc., a corporation organized and existing under the laws of the State of Washington, with principal offices at North Bend, WA ("Angiotech US");

Angiodevice International GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland ("Angiodevice"); and

Histogenics Corporation, a corporation organized and existing under the laws of the State of Delaware (formerly under the laws of Massachusetts), with principal offices at 830 Winter Street, 3rd Floor, Waltham, MA 02451 (formerly at 100 Hospital Road, Malden, MA 02148) ("Histogenics").

WITNESSETH

WHEREAS, Angiotech Biomaterials Corp. ("Biomaterials"), Angiodevice and Histogenics entered into that certain License Agreement, effective as of May 12, 2005, pursuant to which Biomaterials and Angiodevice licensed to Histogenics the right to use certain domestic and foreign patents, patent applications and know how relating to the manufacture and use of CT3 (the "Original License Agreement"), a copy of which is attached hereto;

WHEREAS, effective as of November 4, 2005, all of the assets of Biomaterials were sold to Angiotech US and Biomaterials was wound up;

WHEREAS, in connection with such sale of assets, Biomaterials assigned the Agreement to Angiotech US and Angiotech US assumed all rights and obligations of Biomaterials under the Original License Agreement as if it were the original party thereto;

WHEREAS, Angiotech US, Angiodevice and Histogenics entered into that certain Amendment to License Agreement, dated as of August 31, 2007 (the "First Amendment"), a copy of which is attached hereto (the Original License Agreement, as amended by the First Amendment, shall be referred to herein as the "Agreement"); and

WHEREAS, Angiotech US, Angiodevice and Histogenics have determined that it is in their best interests to amend certain provisions of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Angiodevice, Angiotech US and Histogenics hereby agree as

follows:

1. Amendment. Sub-clause (A) of Section 3.2(a)(ii) of the Agreement is hereby amended by striking the word “January” and inserting the word “March” in place thereof.

2. Miscellaneous

2.1. Entire Agreement; Confirmation of Agreement. Except as specifically otherwise amended as set forth herein, the Agreement shall continue in full force and effect.

2.2. Counterparts. This Second Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures of the parties hereto will have the same effect as original signatures. In making proof of this Second Amendment, it shall not be necessary to produce or account for more than one such counterpart.

[Signature Page Follows]

CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be executed and delivered by the respective duly authorized officers as of the date set forth above.

ANGIOTECH PHARMACEUTICALS (US), INC.

By: /s/ David Hall
Name: _____
Title: Chief Compliance Officer & Senior
Vice President Government &
Community Relations
Date: Jan 10, 2008

ANGIODEVICE INTERNATIONAL GmbH

By: /s/ Hans Peter Weber
Name: Hans Peter Weber
Title: Managing Director
Date: _____

By: /s/ Jürg Dannecker
Name: Jürg Dannecker
Title: Managing Director
Date: _____

HISTOGENICS CORPORATION

By: _____
Name: _____
Title: _____
Date: _____

CONFIDENTIAL TREATMENT REQUESTED

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS WARRANT UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

RESTATED WARRANT

to purchase shares of common stock of

HISTOGENICS CORPORATION

Warrant No. CS-1

Effective Date: July 19, 2006
Expiration Date: May 11, 2010

WHEREAS, On May 12, 2005, HISTOGENICS CORPORATION, a corporation organized and existing under the laws of Massachusetts, with principal offices at 100 Hospital Road, Malden, MA 02148 (the "Massachusetts Corporation") issued to ANGIODEVICE INTERNATIONAL GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland ("Angiotech International"), a warrant to purchase **** shares of the Company's Common Stock (the "Original Warrant").

WHEREAS, the Original Warrant was issued pursuant to the License Agreement between the Massachusetts Corporation and the Holder dated as of May 12, 2005 (the "License Agreement").

WHEREAS, the License Agreement and the Original Warrant provide that upon the sale of **** of equity securities by the Massachusetts Corporation (the "Financing"), the Original Warrant would be cancelled and replaced with a new warrant of like tenor the right to purchase such additional number of shares of Common Stock, calculated pursuant to the Original Warrant and the License Agreement.

WHEREAS, in connection with the Financing, the Massachusetts Corporation reincorporated as a Delaware corporation by merging (the "Merger") the Massachusetts Corporation into a wholly owned Delaware subsidiary, with such subsidiary surviving the Merger (the "Company").

WHEREAS, pursuant to the Merger the Company is the successor of the Massachusetts Corporation under the License Agreement and is therefore issuing this new restated Warrant contemplated by the Original Warrant and the License Agreement.

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

WHEREAS, the Financing has occurred and therefore this Warrant amends and restates the Original Warrant in its entirety.

NOW THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

This certifies that Angiotech International, or its transferees or assigns (collectively, the "Holder") for the agreed upon value of and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, shall be entitled to purchase from the Company, **** fully paid and nonassessable shares of the Company's Common Stock (the "Common Stock") for cash at a price of **** per share (the "Exercise Price") at any time, or from time to time, up to and including 5:00 p.m. Pacific time on the Expiration Date, upon the surrender to the Company at its principal place of business (or at such other location as the Company may advise the Holder in writing) of this Warrant properly endorsed, a Subscription Form in substantially the form attached hereto as **Exhibit A** duly filled in and signed and, as applicable, upon payment in cash or by check of the aggregate Exercise Price for the number of shares for which this Warrant is being exercised determined in accordance with the provisions hereof, or the surrender of the right to acquire the number of shares of Common Stock determined in accordance with Section 1.2. The Exercise Price and the number of shares of Common Stock purchasable hereunder are subject to adjustment as provided in Section 3 of this Warrant.

This Warrant is subject to the following terms and conditions:

1. EXERCISE; ISSUANCE OF CERTIFICATES; PAYMENT FOR SHARES.

1.1 General. This Warrant is exercisable at the option of the holder of record hereof at any time, or from time to time, up to the Expiration Date for all or any part of the shares of Common Stock (but not for a fraction of a share), which may be purchased hereunder. The Company agrees that the shares of Common Stock purchased under this Warrant shall be and are deemed to be issued to the Holder hereof as the record owner of such shares as of the close of business on the date on which this Warrant, properly endorsed, the completed and executed Form of Subscription and appropriate payment for such shares shall have each been delivered to the Company at its principal place of business. Certificates for the shares of Common Stock so purchased, together with any other securities or property to which the Holder is entitled upon such exercise, shall be delivered to the Holder by the Company at the Company's expense within a reasonable time after the rights represented by this Warrant have been so exercised, and in any event, within five (5) business days of such exercise. In case of a purchase of less than all the shares which may be purchased under this Warrant, the Company shall cancel this Warrant and execute and deliver a new Warrant or Warrants of like tenor for the balance of the shares purchasable under the Warrant surrendered upon such purchase to the Holder hereof within a reasonable time. Each stock certificate so delivered shall be in such denominations of Common Stock as may be requested by the Holder hereof.

1.2 Net Issue Election. The Holder may elect to receive, without the payment by the Holder of any additional consideration, shares of Common Stock equal to the value of this

Common Stock Warrant

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CONFIDENTIAL TREATMENT REQUESTED

Warrant or any portion hereof by the surrender of this Warrant or such portion to the Company, with the net issue election notice annexed hereto duly executed, at the office of the Company. Thereupon, the Company shall issue to the Holder such number of fully paid and nonassessable shares of Common Stock as is computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

where

X = the number of shares of Common Stock to be issued to the Holder pursuant to this Section 1.2.

Y = the number of shares of Common Stock covered by this Warrant in respect of which the net issue election is made pursuant to this Section 1.2.

A = the fair market value of one share of Common Stock, as determined in good faith by the Company's Board of Directors, as at the time the net issue election is made pursuant to this Section 1.2, which determination shall be final and binding on the Holder.

B = the Exercise Price in effect under this Warrant at the time the net issue election is made pursuant to this Section 1.2.

The Board of Directors shall promptly respond in writing to an inquiry by the Holder as to the fair market value of one share of Common Stock.

2. SHARES TO BE FULLY PAID; RESERVATION OF SHARES. The Company covenants and agrees that all shares of Common Stock which may be issued upon the proper exercise of the rights represented by this Warrant and payment of the Exercise Price will, upon issuance, be duly authorized, validly issued, fully paid and nonassessable and free from all preemptive rights of any shareholder and free of all taxes, liens and charges with respect to the issue thereof. The Company further covenants and agrees that, during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved, for the purpose of issue or transfer upon exercise of the subscription rights evidenced by this Warrant, a sufficient number of shares of authorized but unissued Common Stock, or other securities and property, when and as required to provide for the exercise of the rights represented by this Warrant. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any domestic securities exchange upon which the Common Stock may be listed; provided, however, that the Company shall not be required to effect a registration under Federal or State securities laws with respect to such exercise. The Company will not take any action which would result in any adjustment of the Exercise Price (as set forth in Section 3 hereof) if the total number of shares of Common Stock issuable after such action upon exercise of all outstanding warrants, together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon exercise of

all options and upon the conversion of all convertible securities and other equity purchase rights then outstanding, would exceed the total number of shares of Common Stock then authorized by the Company's Articles/Certificate of Incorporation (the "Company Charter").

3. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF SHARES. The Exercise Price and the number of shares purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the occurrence of certain events described in this Section 3. Upon each adjustment of the Exercise Price, the Holder of this Warrant shall thereafter be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of shares obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares purchasable pursuant hereto immediately prior to such adjustment, and dividing the product thereof by the Exercise Price resulting from such adjustment.

3.1 Subdivision or Combination of Stock. In case the Company shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined into a smaller number of shares (by reverse stock split or otherwise), the Exercise Price in effect immediately prior to such combination shall be proportionately increased.

3.2 Dividends in Common Stock, Other Stock, Property, Reclassification. If at any time or from time to time the Holders of Common Stock (or any shares of stock or other securities at the time receivable upon the exercise of this Warrant) shall have received or become entitled to receive, without payment therefor,

(a) Common Stock or any shares of stock or other securities which are at any time directly or indirectly convertible into or exchangeable for Common Stock, or any rights or options to subscribe for, purchase or otherwise acquire any of the foregoing by way of dividend or other distribution,

(b) any cash paid or payable otherwise than as a cash dividend, or

(c) Common Stock or additional stock or other securities or property (including cash) by way of spinoff, split-up, reclassification, combination of shares or similar corporate rearrangement, (other than shares of Common Stock issued as a stock split or adjustments in respect of which shall be covered by the terms of Section 3.1 above),

then, and in each such case, the Holder hereof shall, upon the exercise of this Warrant, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without payment of any additional consideration therefor, the amount of stock and other securities and property (including cash in the cases referred to in clause (b) above and this clause (c)) which such Holder would hold on the date of such exercise had he been the holder of record of such Common Stock as of the date on which holders of Common Stock received or became entitled to receive such shares or all other additional stock and other securities and property.

3.3 Reorganization, Consolidation, Merger or Sale. If any recapitalization or reorganization of the capital stock of the Company, or any consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets or other

transaction shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, or other assets or property (an "Organic Change"), then, as a condition of such Organic Change, lawful and adequate provisions shall be made by the Company whereby the Holder hereof shall thereafter have the right to purchase and receive (in lieu of the shares of the Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented by this Warrant) such shares of stock, securities or other assets or property as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable upon the exercise of the rights represented by this Warrant. In the event of any Organic Change, appropriate provision shall be made by the Company with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of shares purchasable and receivable upon the exercise of this Warrant) shall thereafter be applicable, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof.

3.4 Certain Events. If any change in the outstanding Common Stock of the Company or any other event occurs as to which the other provisions of this Section 3 are not strictly applicable or if strictly applicable would not fairly protect the purchase rights of the Holder of the Warrant in accordance with such provisions, then the Board of Directors of the Company shall make an adjustment in the number and class of shares available under the Warrant, the Exercise Price or the application of such provisions, so as to protect such purchase rights as aforesaid. The adjustment shall be such as will give the Holder of the Warrant upon exercise for the same aggregate Exercise Price the total number, class and kind of shares as the Holder would have owned had the Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment.

3.5 Notices of Change.

(a) Upon any adjustment in the number or class of shares subject to this Warrant and/or of the Exercise Price, the Company shall give reasonable written notice thereof to the Holder, setting forth in reasonable detail and certifying the calculation of such adjustment.

(b) The Company shall give written notice to the Holder at least 10 business days prior to the date on which the Company closes its books or takes a record for determining rights to receive any dividends or distributions.

(c) The Company shall also give written notice to the Holder at least 10 business days prior to the date on which an Organic Change shall take place.

4. ISSUE TAX. The issuance of certificates for shares of Common Stock upon the exercise of the Warrant shall be made without charge to the Holder of the Warrant for any issue tax (other than any applicable income taxes) in respect thereof; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the Holder of the Warrant being exercised.

5. CLOSING OF BOOKS. The Company will not unreasonably close its transfer books in any manner which interferes with the timely exercise of this Warrant.

6. NO VOTING OR DIVIDEND RIGHTS; LIMITATION OF LIABILITY. Nothing contained in this Warrant shall be construed as conferring upon the Holder hereof the right to vote or to consent or to receive notice as a shareholder of the Company or any other matters or any rights whatsoever as a shareholder of the Company. No dividends or interest shall be payable or accrued in respect of this Warrant or the interest represented hereby or the shares purchasable hereunder until, and only to the extent that this Warrant shall have been exercised. No provisions hereof, in the absence of affirmative action by the holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the holder hereof, shall give rise to any liability of such Holder for the Exercise Price or as a shareholder of the Company, whether such liability is asserted by the Company or by its creditors.

7. WARRANTS NOT TRANSFERABLE. This Warrant is not transferable, in whole or in part without the prior written consent of the Company, except as otherwise specifically provided for herein.

8. REGISTRATION RIGHTS. The Holder has the right to cause the Company to register the Common Stock issued upon exercise hereof, under the Securities Act and any blue sky or securities laws of any jurisdictions within the United States at the time and in the manner specified in this Section 8.

8.1 Registrable Securities. As used herein the term “Registrable Security” means the shares of Common Stock, and any shares issued upon any stock split or stock dividend in respect of such shares of Common Stock; provided, however, that with respect to any particular Registrable Security, such security shall cease to be a Registrable Security when, as of the date of determination, (i) it has been effectively registered under the Securities Act and disposed of pursuant thereto, (ii) registration under the Securities Act is no longer required for subsequent public distribution of such security under Rule 144(k) promulgated under the Securities Act or otherwise, or (iii) it is no longer held by the Holder. The term “Registrable Securities” means any and/or all of the securities falling within the foregoing definition of a “Registrable Security.” In the event of any merger, reorganization, consolidation, recapitalization or other change in corporate structure affecting the Common Stock, such adjustment shall be made in the definition of “Registrable Security” as is appropriate in order to prevent any dilution or enlargement of the rights granted pursuant to this Section 8.

8.2 Piggyback Registration. In the event that the Company proposes to prepare and file any new registration statement or post-effective amendments with the intent of issuing a public offering (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any employee benefit plan or a corporate reorganization) (for purposes of this Section 8, collectively, the “Registration Statement”), it will give written notice of its intention to do so by certified mail, return receipt requested (“Notice”), at least thirty (30) business days prior to the filing of each such Registration Statement, to the Holder. Upon the written request of the Holder, made within twenty (20) business days after receipt by the Holder of the Notice, that the Company include any of the Holder’s Registrable Securities in the proposed Registration Statement, the

CONFIDENTIAL TREATMENT REQUESTED

Company shall use its best efforts to effect the registration under the Securities Act of the Registrable Securities which it has been so requested to register (“Piggyback Registration”), at the Company’s sole cost and expense and at no cost or expense to (except as provided in Section 8.3(a) hereof). If the Holder decides not to include all of its Registrable Securities in any Registration Statement thereafter filed by the Company, the Holder shall nevertheless continue to have the right to include any Common Stock in any subsequent Registration Statement or Registration Statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

If a Registration Statement under which the Company gives notice under this Section 8.2 is for an underwritten offering, then the Company shall so advise the Holder. In such event, the right of the Holder’s Common Stock to be included in a registration pursuant to this Section 8.2 shall be conditioned upon Holder’s participation in such underwriting and the inclusion of Holder’s Common Stock in the underwriting. If Holder proposes to distribute any Common Stock through such underwriting, Holder shall enter into an underwriting agreement in customary form with the managing underwriter or underwriter(s) selected for such underwriting.

Notwithstanding the provisions of this Section 8.2, the Company shall have the right at any time after it shall have given written notice pursuant to this Section 8.2 (irrespective of whether any written request for inclusion of Registrable Securities shall have already been made) to elect not to file any such proposed Registration Statement, or to withdraw the same after the filing but prior to the effective date thereof.

8.3 Covenants of the Company With Respect to Registration. The Company covenants and agrees as follows:

(a) The Company shall pay all costs, fees and expenses (other than underwriting fees, discounts and nonaccountable expense allowance applicable to the Registrable Securities and fees and expenses of counsel retained by the Holder) in connection with all Registration Statements including, without limitation, the Company’s legal and accounting fees, printing expenses, and blue sky fees and expenses.

(b) The Company will use its reasonable best efforts to take all necessary action which may be required in qualifying or registering the Registrable Securities included in the Registration Statement for offering and sale under the securities or blue sky laws of such states as are reasonably requested by the Holder.

(c) To the fullest extent permitted by law, the Company will indemnify and hold the Holder harmless against any losses, claims, damages, or liabilities to which it may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “Violation”) by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading,

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or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by the Registration Statement; and the Company will reimburse the Holder for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished to it expressly for use in connection with such registration by the Holder.

(d) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action (including any governmental action), such indemnified party shall, if a claim in respect thereof is to be made against any indemnifying party under this Section, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party; and provided further, that if there is more than one indemnified party, the indemnifying party shall pay for the fees and expenses of one counsel for any and all indemnified parties to be mutually agreed upon by such indemnified parties, unless representation of an indemnified party by the counsel retained by the other indemnified parties would be inappropriate due to actual or potential differing interests between such indemnified parties. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 8.

(e) In the event that the indemnification provided for in this Section 8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged

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untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. No person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11 of the Securities Act) shall be entitled to contribution from any person or entity that is not found to have been guilty of such fraudulent misrepresentation.

9. FURTHER REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY.

(a) Articles and Bylaws. The Company has made available to Holder true, complete and correct copies of the Company Charter and Bylaws, as amended, through the date hereof.

(b) Due Authority. The execution and delivery by the Company of this Warrant and the performance of all obligations of the Company hereunder, including the issuance to Holder of the right to acquire the shares of Common Stock, have been duly authorized by all necessary corporate action on the part of the Company, and the Warrant is not inconsistent with the Company Charter or Bylaws and constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms.

(c) Consents and Approvals. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant, except for any filing required by applicable federal and state securities laws, which filing will be effective by the time required thereby.

10. REPRESENTATIONS AND COVENANTS OF THE HOLDER.

This Warrant has been entered into by the Company in reliance upon the following representations and covenants of the Holder:

(a) Investment Purpose. The Warrant and the Common Stock issuable upon exercise of the Warrant will be acquired for investment and not with a view to the sale or distribution of any part thereof, and the Holder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration or exemption pursuant to the 1933 Act.

(b) Private Issue. The Holder understands (i) that the Warrant and the Common Stock issuable upon exercise of this Warrant is not registered under the 1933 Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant will be exempt from the registration and qualifications requirements thereof pursuant to Section 4(2) of the 1933 Act and any applicable state securities laws, and (ii) that the Company's reliance on such exemption is predicated on the representations set forth in this Section 10.

CONFIDENTIAL TREATMENT REQUESTED

(c) Disposition of Holders Rights. In no event will the Holder make a disposition of the Warrant or the Common Stock issuable upon exercise of the Warrant unless and until (i) the Company shall have approved of the proposed disposition, and (ii) if requested by the Company, it shall have furnished the Company with an opinion of counsel (which counsel may either be inside or outside counsel to the Holder) satisfactory to the Company and its counsel to the effect that (A) appropriate action necessary for compliance with the 1933 Act has been taken, or (B) an exemption from the registration requirements of the 1933 Act is available. Notwithstanding the foregoing, the restrictions imposed upon the transferability of any of its rights to acquire Common Stock or the Common Stock issuable on the exercise of such rights do not apply to transfers from the beneficial owner of any of the aforementioned securities to its nominee or from such nominee to its beneficial owner, and shall terminate as to any particular share of Common Stock when (1) such security shall have been effectively registered under the 1933 Act and sold by the holder thereof in accordance with such registration or (2) such security shall have been sold without registration in compliance with Rule 144 under the 1933 Act, or (3) a letter shall have been issued to the Holder at its request by the staff of the Securities and Exchange Commission or a ruling shall have been issued to the Holder at its request by such Commission stating that no action shall be recommended by such staff or taken by such Commission, as the case may be, if such security is transferred without registration under the 1933 Act in accordance with the conditions set forth in such letter or ruling and such letter or ruling specifies that no subsequent restrictions on transfer are required. Whenever the restrictions imposed hereunder shall terminate, as hereinabove provided, the Holder or holder of a share of Common Stock then outstanding as to which such restrictions have terminated shall be entitled to receive from the Company, without expense to such holder, one or more new certificates for the Warrant or for such shares of Common Stock not bearing any restrictive legend.

(d) Financial Risk. The Holder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment.

(e) Risk of No Registration. The Holder understands that if the Company does not register with the Securities and Exchange Commission pursuant to Section 12 of the 1933 Act, or file reports pursuant to Section 15(d), of the Securities Exchange Act of 1934 (the "1934 Act"), or if a registration statement covering the securities under the 1933 Act is not in effect when it desires to sell (i) the Warrant, or (ii) the Common Stock issuable upon exercise of the Warrant, it may be required to hold such securities for an indefinite period. The Holder also understands that any sale of the Warrant or the Common Stock issuable upon exercise of the Warrant which might be made by it in reliance upon Rule 144 under the 1933 Act may be made only in accordance with the terms and conditions of that Rule.

(f) Accredited Investor. Holder is an "accredited investor" within the meaning of Rule 501 of Regulation D under the 1933 Act, as presently in effect.

11. MODIFICATION AND WAIVER. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

CONFIDENTIAL TREATMENT REQUESTED

12. NOTICES. Any notice, request or other document required or permitted to be given or delivered to the holder hereof or the Company shall be delivered or shall be sent by an established overnight service provider (e.g., Federal Express), or registered or certified mail, postage prepaid, to each such holder at its address as shown on the books of the Company or to the Company at the address indicated therefor in the first paragraph of this Warrant or such other address as either may from time to time provide to the other in accordance with this Section.

13. BINDING EFFECT ON SUCCESSORS. This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets. All of the obligations of the Company relating to the Common Stock issuable upon the exercise of this Warrant shall survive the exercise and termination of this Warrant. All of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of the holder hereof.

14. DESCRIPTIVE HEADINGS AND GOVERNING LAW. The description headings of the several sections and paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Delaware, without giving effect to principles of conflicts of laws.

15. LOST WARRANTS. The Company represents and warrants to the Holder hereof that upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant, the Company, at its expense, will make and deliver a new Warrant, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant.

16. FRACTIONAL SHARES. No fractional shares shall be issued upon exercise of this Warrant. The Company shall, in lieu of issuing any fractional share, pay the holder entitled to such fraction a sum in cash equal to such fraction multiplied by the then effective Exercise Price.

17. ORIGINAL WARRANT CANCELLED. The Original Warrant is hereby replaced in its entirety by this Warrant, and the Original Warrant shall be null and of no force and effect.

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CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the Company and the Holder have caused this Warrant to be duly executed by its officers, thereunto duly authorized.

Dated: January 4, 2008

(Corporate Seal)

HISTOGENICS CORPORATION

By: /s/ Steven Bernitz

Name: Steven Bernitz

Title: President & CEO

Dated: January 16, 2008

(Corporate Seal)

ANGIODEVICE INTERNATIONAL GmbH

By: /s/ Hans Peter Weber

Name: Hans Peter Weber

Title: Managing Director

By: /s/ Jürg Dannecker

Name: Jürg Dannecker

Title: Managing Director

Common Stock Warrant

CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT A

Subscription Form

To: _____

Date: _____

The undersigned hereby subscribes for _____ shares of Common Stock covered by this Warrant. The certificate(s) for such shares shall be issued in the name of the undersigned or as otherwise indicated below:

Signature

Name: _____

Address: _____

[OR]

Net Issue Election Notice

To: _____

Date: _____

The undersigned hereby elects under Section 1.2 to surrender the right to purchase _____ shares of Common Stock pursuant to this Warrant. The certificate(s) for the shares issuable upon such net issue election shall be issued in the name of the undersigned or as otherwise indicated below.

Signature

Name: _____

Address: _____

CONFIDENTIAL TREATMENT REQUESTED

THIRD AMENDMENT

TO

LICENSE AGREEMENT

THIS THIRD AMENDMENT TO LICENSE AGREEMENT (this "Third Amendment"), effective April 15, 2008, is by and among:

Angiotech Pharmaceuticals (US), Inc., a corporation organized and existing under the laws of the State of Washington, with principal offices at North Bend, WA ("Angiotech US");

Angiodevice International GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland ("Angiodevice"); and

Histogenics Corporation, a corporation organized and existing under the laws of the State of Delaware (formerly under the laws of Massachusetts), with principal offices at 830 Winter Street, 3rd Floor, Waltham, MA 02451 (formerly at 100 Hospital Road, Malden, MA 02148) ("Histogenics").

WITNESSETH

WHEREAS, Angiotech Biomaterials Corp. ("Biomaterials"), Angiodevice and Histogenics entered into that certain License Agreement, effective as of May 12, 2005, pursuant to which Biomaterials and Angiodevice licensed to Histogenics the right to use certain domestic and foreign patents, patent applications and know how relating to the manufacture and use of CT3 (the "Original License Agreement");

WHEREAS, effective as of November 4, 2005, all of the assets of Biomaterials were sold to Angiotech US and Biomaterials was wound up;

WHEREAS, in connection with such sale of assets, Biomaterials assigned the Agreement to Angiotech US and Angiotech US assumed all rights and obligations of Biomaterials under the Original License Agreement as if it were the original party thereto:

WHEREAS, Angiotech US, Angiodevice and Histogenics entered into that certain Amendment to License Agreement, dated as of August 31, 2007 (the "First Amendment");

WHEREAS, Angiotech US, Angiodevice and Histogenics entered into that certain Second Amendment to License Agreement, dated as of January 1, 2008 (the "Second Amendment"), (the Original License Agreement, as amended by the First Amendment and the Second Amendment, shall be referred to herein as the "Agreement"); and

CONFIDENTIAL TREATMENT REQUESTED

WHEREAS, Angiotech US, Angiodevice and Histogenics have determined that it is in their best interests to further amend certain provisions of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby, acknowledged, Angiodevice, Angiotech US and Histogenics hereby agree as follows:

1. Amendment.

(a) Section 1 of the Second Amendment is hereby deleted in its entirety.

(b) Section 3.2(a)(ii) of the First Amendment is amended by deleting it in its entirety and replacing it with the following:

At any time prior to the first to occur of, (A) ****, or (B) **** (the "Exclusivity Deadline"), Histogenics may elect to convert this License to one of exclusivity within the Field by giving notice to Angiotech and paying one million dollars (\$1,000,000) to Angiotech (the "Exclusivity Payment"). Such Exclusivity Payment shall be made in accordance with the schedule set out below, unless and until Histogenics closes an equity financing with proceeds to Histogenics in an amount not less than ****, whereby the Exclusivity Payment shall become due and payable in full within fifteen (15) days of such closing:

****	Payable by ****;
****	Payable by ****;
****	Payable by ****;
****	Payable by ****.

2. Miscellaneous.

2.1 Entire Agreement: Confirmation of Agreement. Except as specifically otherwise amended as set forth herein, the Agreement shall continue in full force and effect.

2.2 Counterparts. This Third Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures of the parties hereto will have the same effect as original signatures. In making proof of this Third Amendment, it shall not be necessary to produce or account for more than one such counterpart.

[Signature Page Follows]

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties have caused this Third Amendment to be executed and delivered by the respective duly authorized officers as of the date set forth above.

ANGIOTECH PHARMACEUTICALS (US), INC.

By: /s/ Thomas Bailey
Name: Thomas Bailey
Title: Chief Financial Officer
Date: 04/29/08

ANGIODEVICE INTERNATIONAL GmbH

By: /s/ Harald Beck
Name: Harald Beck
Title: Director
Date: 12 May 2008

By: /s/ Jürg Dannecker
Name: Jürg Dannecker
Title: Director
Date: 6 May 2008

HISTOGENICS CORPORATION

By: _____
Name:
Title:
Date:

CONFIDENTIAL TREATMENT REQUESTED

FOURTH AMENDMENT

TO

LICENSE AGREEMENT

THIS FOURTH AMENDMENT TO LICENSE AGREEMENT (this "Fourth Amendment"), effective November 1, 2008, is by and among:

Angiotech Pharmaceuticals (US), Inc., a corporation organized and existing under the laws of the State of Washington, with principal offices at North Bend, WA ("Angiotech US");

Angiodevice International GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland ("Angiodevice"); and

Histogenics Corporation, a corporation organized and existing under the laws of the State of Delaware (formerly under the laws of Massachusetts), with principal offices at 830 Winter Street, 3rd Floor, Waltham, MA 02451 (formerly at 100 Hospital Road, Malden, MA 02148) ("Histogenics").

WITNESSETH

WHEREAS, Angiotech Biomaterials Corp. ("Biomaterials"), Angiodevice and Histogenics entered into that certain License Agreement, effective as of May 12, 2005, pursuant to which Biomaterials and Angiodevice licensed to Histogenics the right to use certain domestic and foreign patents, patent applications and know how relating to the manufacture and use of CT3 (the "Original License Agreement"), a copy of which is attached hereto;

WHEREAS, effective as of November 4, 2005, all of the assets of Biomaterials were sold to Angiotech US and Biomaterials was wound up;

WHEREAS, in connection with such sale of assets, Biomaterials assigned the Original License Agreement to Angiotech US and Angiotech US assumed all rights and obligations of Biomaterials under the Original License Agreement as if it were the original party thereto;

WHEREAS, Angiotech US, Angiodevice and Histogenics entered into that certain Amendment to License Agreement, dated as of August 31, 2007 (the "First Amendment"), that certain Second Amendment to License Agreement, dated as of January 1, 2008 (the "Second Amendment"), and that certain Third Amendment to License Agreement, dated as of April 15, 2008 (the "Third Amendment") and together with the First Amendment and the Second Amendment, the "Prior Amendments"), copies of each are attached hereto (the Original License Agreement, as amended by the Prior Amendments, shall be referred to herein as the "Agreement");

WHEREAS, pursuant to Section 3.2(a)(ii) of the Agreement, Histogenics has elected to convert the License (as defined in the Agreement) to one of exclusivity and has made

CONFIDENTIAL TREATMENT REQUESTED

two installment payments of the Exclusivity Payment (also as defined in the Agreement) of **** on or prior to **** and **** on or prior to ****; and

WHEREAS, Angiotech US, Angiodevice and Histogenics have determined that it is in their best interests to amend certain provisions of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Angiodevice, Angiotech US and Histogenics hereby agree as follows:

1. Amendment. Section 3.2(a)(ii) of the Agreement is hereby amended and restated in its entirety to state as follows:

At any time prior to **** (the "Exclusivity Deadline"), Histogenics may elect to convert this License to one of exclusivity within the Field by giving notice to Angiotech (such election, the "Conversion to Exclusivity") and by paying Angiotech an aggregate of \$1,045,000 (the "Exclusivity Payment") in four (4) installments in accordance with the following schedule:

- **** Due and payable on ****;
- **** Due and payable on ****;
- **** Due and payable on ****; and
- **** Due and payable on ****.

Notwithstanding anything to the contrary herein, including Section 3.6, any Exclusivity Payment, or portion thereof, that is due and payable and remains unpaid and outstanding shall accrue interest, compounded quarterly, at a rate equal to **** per annum or at such lower maximum rate of interest allowed by applicable law.

2. Miscellaneous.

2.1 Effects of Amendment on Payment Due ****. For the avoidance of doubt, the payment of **** due by **** under Section 3.2(a)(ii) of the Agreement as it existed prior to this Fourth Amendment shall not be considered to have been overdue by virtue of this Fourth Amendment being effective after such date.

2.2 Entire Agreement; Confirmation of Agreement. Except as specifically otherwise amended as set forth herein, the Agreement shall continue in full force and effect.

2.3 Counterparts. This Fourth Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures of the parties hereto will have the same effect as original signatures. In making proof of this Fourth Amendment, it shall not be necessary to produce or account for more than one such counterpart.

[Signature Page Follows]

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties have caused this Fourth Amendment to be executed and delivered by the respective duly authorized officers as of the date set forth above.

ANGIOTECH PHARMACEUTICALS (US), INC.

ANGIODEVICE INTERNATIONAL GmbH

By: /s/ David D. McMasters
Name: David D. McMasters
Title: Sr. VP, Legal & General Counsel
Date: November 4, 2008

By: /s/ David D. McMasters
Name: David D. McMasters
Title: Managing Director
Date: November 4, 2008

HISTOGENICS CORPORATION

By: /s/ F. Ken Andrews
Name: F. Ken Andrews
Title: CEO & President
Date: 11-5-08

CONFIDENTIAL TREATMENT REQUESTED

FIFTH AMENDMENT

TO

LICENSE AGREEMENT

THIS FIFTH AMENDMENT TO LICENSE AGREEMENT (this "Fifth Amendment"), effective August 6, 2010, is by and among:

Angiotech Pharmaceuticals (US), Inc., a corporation organized and existing under the laws of the State of Washington, with principal offices at North Bend, WA ("Angiotech US");

Angiodevice International GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland ("Angiodevice"); and

Histogenics Corporation, a corporation organized and existing under the laws of the State of Delaware (formerly under the laws of Massachusetts), with principal offices at 830 Winter Street, 3rd Floor, Waltham, MA 02451 (formerly at 100 Hospital Road, Malden, MA 02148) ("Histogenics").

WITNESSETH

WHEREAS, Angiotech Biomaterials Corp. ("Biomaterials"), Angiodevice and Histogenics entered into that certain License Agreement, effective as of May 12, 2005, pursuant to which Biomaterials and Angiodevice licensed to Histogenics the right to use certain domestic and foreign patents, patent applications and know how relating to the manufacture and use of CT3 (the "Original License Agreement"), a copy of which is attached hereto;

WHEREAS, effective as of November 4, 2005, all of the assets of Biomaterials were sold to Angiotech US and Biomaterials was wound up;

WHEREAS, in connection with such sale of assets, Biomaterials assigned the Original License Agreement to Angiotech US and Angiotech US assumed all rights and obligations of Biomaterials under the Original License Agreement as if it were the original party thereto;

WHEREAS, Angiotech US, Angiodevice and Histogenics entered into that certain Amendment to License Agreement, dated as of August 31, 2007, that certain Second Amendment to License Agreement, dated as of January 1, 2008, that certain Third Amendment to License Agreement, dated as of April 15, 2008, and that certain Fourth Amendment to License Agreement, dated as of November 1, 2008 (the Original License Agreement, as amended by the foregoing amendments, shall be referred to herein as the "Agreement");

WHEREAS, pursuant to Section 3.2 of the Agreement, Histogenics elected to convert the Histogenics License (as defined in the Agreement) to one of exclusivity by making full payment of the Exclusivity Payment (as defined in the Agreement) pursuant to Section 3.2(a)(ii) of the Agreement, but failed to make the Revenue Share Reduction Payment (as defined in the Agreement) prior to **** pursuant to Section 3.2(a)(iii) of the Agreement;

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

WHEREAS, Histogenics desires to extend the deadline specified in Section 4.1 of the Agreement for **** and to amend certain other provisions of the Agreement; and

WHEREAS, Angiotech US, Angiodevice and Histogenics have determined that it is in their best interests to amend certain provisions of the Agreement;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Angiodevice, Angiotech US and Histogenics hereby agree as follows:

1. Amendment.

1.1 The definition of "Histogenics Technology" in Section 1 of the Agreement is hereby amended and restated in its entirety to state as follows:

"Histogenics Technology" means the intellectual property and know how of Histogenics and its permitted sublicensees, as such intellectual property and know how currently exist and as that intellectual property and know how may develop."

1.2 The definition of "Net Sales" in Section 1 of the Agreement is hereby amended by adding the following as a new paragraph at the end of such definition:

"Notwithstanding the foregoing, with respect to sales by the World Class Sublicensee or any of its affiliates or sublicensees, Net Sales shall be as defined in Exhibit D."

1.3 Section 1 of the Agreement is hereby amended by adding the following new definition of "Existing Angiotech Licensee":

"Existing Angiotech Licensee" means any third party who has received from Angiotech a license under the Licensed Patent Rights or Improvements as of the date of this Fifth Amendment."

1.4 Section 2.1 of the Agreement is hereby amended to read as follows:

"2.1 Grant. Subject to the terms and conditions of this Agreement, Angiotech hereby grants to Histogenics an exclusive (even as to Angiotech) right and license under the Licensed Technology and Angiotech's interest in Improvements solely to make, have made, use, offer to sell, sell and import Eligible Products in the Field in the Territory (the "Histogenics License"). For the avoidance of doubt, with the exception of Drug-Loaded Products, Angiotech shall not grant to any other Person any rights to or license under the Licensed Technology or Angiotech's interest in Improvements to make, have made, use, offer to sell, sell or import any products containing CT3 for use in the Field in the Territory."

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

1.5 Section 2.2 of the Agreement is hereby amended by adding the following clause to the end of the first sentence immediately before the period:

“; provided that Angiotech hereby consents to Histogenics sublicensing any of its rights **** (the “World Class Sublicensee”)”. Expanding the sublicense in favor of the World Class Sublicensee to include countries beyond those sublicensed to the World Class Sublicensee on the effective date of such sublicense shall not require the consent of Angiotech. Within **** after entering into a sublicense with the World Class Sublicensee, Histogenics shall deliver written notice of such event, which notice shall set forth the identity of the World Class Sublicensee and the field of use, products and territory granted to the World Class Sublicensee, and Histogenics shall promptly inform Angiotech in writing of any change to the territory granted to the World Class Sublicensee”

1.6 Section 2.2 of the Agreement is hereby amended by adding the following sentence to the end of such Section:

“For the avoidance of doubt, the distribution or sale of a given clinical or commercial quantity of CT3 under this Agreement by or on behalf of Histogenics or its Affiliate or their respective permitted sublicensees for use with an Eligible Product, or as part of a kit including an Eligible Product, shall effect an exhaustion in the Field in the Territory of all patent rights with respect to such clinical or commercial quantity of CT3; provided that the distribution or sale of the Eligible Products (or kits including Eligible Products) utilizing such clinical or commercial quantity of CT3 is accounted for in the determination of Net Sales.”

1.7 Section 2.4(g) of the Agreement is hereby amended by adding the following clause to the end of such section immediately before the period:

“; provided, however, that with respect to data and results generated by the World Class Sublicensee, Histogenics shall only be required to provide Angiotech with the data and results received by Histogenics from the World Class Sublicensee and only to the extent Histogenics has the right to do so”.

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

1.8 Section 3.1 of the Agreement is hereby amended by adding the following sentence to the end of such section:

“As further consideration for the Histogenics License, Histogenics shall pay to Angiotech (a) three million dollars (\$3,000,000) within thirty (30) days after Histogenics receives Regulatory Approval from the FDA for an Eligible Product, and (b) fifty thousand dollars (\$50,000) on each December 31 starting on December 31, 2010 and ending on December 31, 2014 (for an aggregate payment of two hundred fifty thousand dollars (\$250,000) pursuant to this Section 3.1(b)). For the avoidance of doubt, receipt of such Regulatory Approval by the World Class Sublicensee shall trigger Histogenics obligation to make the payment described in Section 3.1(a).”

1.9 Section 3.2(a)(iii) of the Agreement is hereby amended and restated in its entirety to state as follows:

“(iii) The “Revenue Share Reduction Payment” means (A) if paid after such date and prior to or on ****, ****; or (B) if paid after such date and prior to or on ****, ****. If Histogenics pays to Angiotech the Revenue Share Reduction Payment on or before ****, Histogenics shall thereafter be required to pay to Angiotech **** of Net Sales of those Eligible Products that contain living human cartilage cells and **** of Net Sales of those Eligible Products that do not contain living human cartilage cells. The payments of a percentage of Net Sales of Eligible Products as determined in this Section 3.2(a) shall be referred to herein as the “Revenue Share”.”

1.10 A new section numbered Section 3.2(a)(iv) is hereby added to the Agreement:

“(iv) Notwithstanding Sections 3.2(a) and 3.5, Histogenics shall pay to Angiotech the Revenue Share attributable to the Net Sales of the World Class Sublicensee (and its affiliates and sublicensees) for a particular Calendar Quarter within **** after the end of such Calendar Quarter.”

1.11 Section 3.4 of the Agreement is hereby amended by placing “(a)” before the phrase that reads “Histogenics shall deliver to Angiotech . . .” and re-numbering the paragraphs numbered (a) through (f) as (i) through (vi), respectively.

1.12 Section 3.4 of the Agreement is further hereby amended by adding a new subsection (b) after the final paragraph of subsection (a) as follows:

“(b) With respect to Net Sales attributable to the World Class Sublicensee (and its affiliates and sublicensees), Histogenics may satisfy its obligation to provide a written Revenue Share report for a particular Calendar Quarter by delivering to Angiotech a copy of the royalty report Histogenics receives from the World Class Sublicensee which covers the sale of Eligible Products for such Calendar Quarter, which copy shall be certified by

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Histogenics' CFO (or his designee) as a true and complete copy of the report received from the World Class Sublicensee. Notwithstanding Section 3.4(a), Histogenics shall have until **** after the end of a particular Calendar Quarter to provide such report to Angiotech.”

1.13 The following language is added to the end of the second sentence of Section 3.5 and before the period:

“; provided that with respect to determinations pursuant to this Agreement in respect of Net Sales of the World Class Sublicensee (or its affiliate or sublicensee) made in a currency other than U.S. Dollars, such amounts shall be converted into U.S. Dollars using the actual average daily buying rate for the applicable currency of the country from which the royalties are payable certified by the United States Federal Reserve Bank of New York, as published from time to time by the United States Federal Reserve Board, in respect of the Calendar Quarter to which the Net Sales relate”

1.14 Section 4.1 of the Agreement is hereby amended and restated in its entirety to state as follows:

“4.1 Diligence Obligations. In the event that Histogenics does not make the Revenue Share Reduction Payment as described in Section 3.2(a)(iii), then Histogenics shall be obligated to **** in order to maintain its rights under the Histogenics License. In the event that Histogenics does make the Revenue Share Reduction Payment as described in Section 3.2(a)(iii), then Histogenics shall be obligated to **** in order to maintain its rights under the Histogenics License. Any failure to **** specified in this Section 4.1 will be considered a material breach of this Agreement as that term is used in Section 8.2(a).”

1.15 Section 5.2 of the Agreement is hereby amended and restated in its entirety to state as follows:

“5.2 Patent Applications and Foreign Filing. **** shall file, prosecute and maintain in force any and all patents and patent applications included in the Licensed Patent Rights, and any patent and patent applications related to any Improvements. The filing, prosecution and maintenance of patents and patent applications pursuant to this Section 5.2 shall be done through patent counsel selected by ****. **** will keep **** reasonably informed of all significant patent matters relating to the Licensed Patent Rights within the Field as they relate to Eligible Products (including providing **** with copies of all documents filed with the applicable patent office and all correspondence between **** and the applicable patent office) and, to the extent **** has the right to do so, relating to the Improvements within the Field as they relate to Eligible

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Products, and, to the extent **** has the right to do so, will give **** a reasonable opportunity to review and provide input on the prosecution of such applications, to the extent such prosecution is pertinent to Eligible Products within the Field. If **** decides to finally abandon or allow to lapse the subject matter of any patents or patent applications described in this Section 5.2, then to the extent such subject matter is pertinent to Eligible Products in the Field, **** shall promptly inform **** and, to the extent compatible with **** obligations to Existing Angiotech Licensees, **** shall have the right to assume filing, prosecution and maintenance of such patents and patent applications at **** sole expense. If **** exercises such right to continue the filing, prosecution and maintenance of any such patent or patent application, (a) **** shall continue to own such patent or patent application (as applicable) but shall give power of attorney to **** and/or its legal representative to continue the filing, prosecution and maintenance of such patent or patent application; provided, however, that all terms and conditions of this Agreement shall continue to apply (including, without limitation, Sections 2.1, 2.2 and 2.3); and (b) **** shall be entitled to set off one-half of the costs and expenses it incurs in connection with such filing, prosecution and maintenance against **** under this Agreement after the date that **** exercises such right with respect to the applicable patent or patent application. **** may cease any such activities for any reason, in which case it shall promptly notify **** of its decision, with such notice leaving **** or its designee a reasonable period of time to commence such activities in advance of any upcoming due dates should **** or its designee choose to do so.”

1.16 Section 5.5 of the Agreement is hereby amended by adding the following clause to the end of such section immediately before the period:

“; provided, however, that with respect to Clinical Data generated by the World Class Sublicensee, Histogenics shall only be required to provide Angiotech with the Clinical Data received by Histogenics from the World Class Sublicensee and only to the extent Histogenics has the right to do so”.

1.17 Section 7.2 of the Agreement is hereby amended and restated in its entirety to state as follows:

“(a) Defense of Declaratory Judgment Action. In the event of an assertion of invalidity or unenforceability of Licensed Patent Rights, ****, subject to the rights of Existing Angiotech Licensees, shall have the right to defend such assertion, but to the extent such assertion relates to Eligible Products in the Field, and to the extent **** has the right to control such defense, **** shall reasonably consider **** views with respect to such defense. If **** does not defend any such assertion that relates to Eligible Products in the Field, then **** shall have the right, but not the obligation, to present such issue to ****

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****.

(b) Non-Litigation Actions. Subject to the rights of Existing Angiotech Licensees, **** shall have the right, in its sole discretion, to take actions to terminate any alleged infringement identified pursuant to Section 7.1 without litigation (including the sole right to grant a license to the alleged infringer outside the Field) with respect to Licensed Patent Rights; provided, however, where such alleged infringement involves the Licensed Patent Rights within the Field, (i) **** shall reasonably consider the interests of **** and shall not settle or make any agreement that would have a material adverse effect on **** rights in the Field under this Agreement, without the prior written consent of ****, which shall not be unreasonably delayed or denied; and (ii) if **** declines or otherwise fails to take action to terminate any such alleged infringement without litigation, then **** shall have the right, but not the obligation, to present such issue to ****.

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(c) Litigation Actions.

(i) **** shall have the first right, but not the obligation, to commence and control any Action related to any alleged infringement of the Licensed Patent Rights within the Field. In the event that **** elects, in its sole discretion, to undertake such an Action, **** agrees to reasonably cooperate with ****, including providing access to all necessary documents in **** control, executing all papers and performing such other acts as may be reasonably required for such Action, including, but not limited to, consenting to be joined as a Party plaintiff in such Action. **** shall control such Action, and **** may enter into settlements, stipulated judgments or other arrangements respecting such infringement; provided, however, **** shall reasonably consider the interests of **** and shall not settle or make any agreement that would have a material adverse effect on ****'s rights under this Agreement, without the prior written consent of Histogenics, which shall not be unreasonably delayed or denied. **** shall keep **** reasonably apprised of the progress of any such Action. **** may, at its option and sole expense, be represented by counsel of its choice, but all other costs associated with any such Action shall be at the sole expense of ****.

(ii) If, within **** after discovering or being notified by **** in writing of an alleged infringement that would be the basis of a potential Action for any alleged infringement of the Licensed Patent Rights in "Patent Family 2" and/or "Patent Family 5" (as described in Exhibit A) solely within the Field (a "Declined Action"), **** declines to commence such Action, then **** shall have the right, but not the obligation, to commence such Declined Action; provided that prior to commencing any such Declined Action, **** shall reasonably consider ****'s reasons for declining to commence the Action. In the event that **** elects, in its sole discretion, to commence such Declined Action, (A) **** shall reasonably consider ****'s input with respect to such Declined Action, including the interests of Existing Angiotech Licensees; (B) **** shall not enter into any settlement without the prior written consent of ****; and (C) **** agrees to reasonably cooperate with ****, including providing access to all necessary documents in ****'s control, executing all papers and performing such other acts as may be reasonably required for such Declined Action, such as consenting to be joined as a party plaintiff in such Declined Action, at **** sole expense. **** shall keep **** reasonably apprised of the progress of any such Declined Action. **** may, at its option and sole expense, be represented by counsel of its choice, but all other costs associated with any such Declined Action shall be at the sole expense of ****.

(iii) If, within **** after discovering or being notified by **** in writing of an alleged infringement that would be the basis of a potential Action for any alleged infringement of the Licensed Patent

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CONFIDENTIAL TREATMENT REQUESTED

Rights in “Patent Family 1”, “Patent Family 3” and/or “Patent Family 4” (as described in Exhibit A) solely within the Field (an “Other Action”), **** declines to commence such Action, then **** shall have the right, but not the obligation, to present such issue to ****, **** may commence such Other Action; provided that (X) **** shall reasonably consider ****’s input with respect to such Other Action, including the interest of Existing Angiotech Licensees; (Y) **** shall not enter into any settlement without the prior written consent of ****; and (Z) **** agrees to reasonably cooperate with ****, including providing access to all necessary documents in ****’s control, executing all papers and performing such other acts as may be reasonably required for such Other Action, such as consenting to be joined as a party plaintiff in such Other Action, at **** sole expense. **** shall keep **** reasonably apprised of the progress of any such Other Action. **** may, at its option and sole expense, be represented by counsel of its choice, but all other costs associated with any such Other Action shall be at the sole expense of ****.

(d) Recoveries. Any damages or other recovery related to the Licensed Patent Rights, including compensatory and other non-compensatory damages or recovery actually received from a third party, shall be allocated first to reimburse the costs and expenses, including reasonable attorneys’ fees and expert witness fees, of the Party controlling the matter that led to the damages or other recovery and then to reimburse the other Party for such costs and expenses, if any. Such reimbursement shall be made first from any compensatory damages, including attorneys’ fees and costs recovered. Any remaining balance of damages or other recovery, if any, shall be considered Net Sales with **** receiving the applicable Revenue Share of such Net Sales and **** receiving the remaining balance.”

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CONFIDENTIAL TREATMENT REQUESTED

1.18 Section 7.3(a)(i) of the Agreement is hereby amended by inserting the phrase “and/or Improvements” after the phrase “relating to the use of the Licensed Technology”.

1.19 Section 8.2(c) of the Agreement is hereby amended by inserting the phrase “and/or patent rights to Improvements” after both instances of the phrase “any Licensed Patent Rights”.

1.20 A new Section 8.5 is added to the Agreement as follows:

“8.5 Sublicenses. If this Agreement terminates for any reason other than its natural expiration, then ****; provided that (a) the World Class Sublicensee is not in breach of its agreement with Histogenics and (b) the World Class Sublicensee was not the cause of this Agreement being terminated.”

1.21 Section 10.5 of the Agreement is hereby amended by inserting the following phrase after the phrase “provided however, that” in the first sentence:

“, to the extent feasible and to the extent permitted by applicable Regulatory Authorities,”

1.22 Section 10.7 of the Agreement is hereby amended and restated in its entirety to state as follows:

“10.7 Assignment. “Without limitation to the rights set forth in Section 8.2(d) and (e), this Agreement and Histogenics’ rights and obligations hereunder may not be sold, assigned or transferred, in whole or in part, to any third party without the consent of Angiotech, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, Angiotech’s consent shall not be required for any such sale, assignment or transfer to the World Class Sublicensee on the condition that prior to such sale, assignment or transfer Histogenics has delivered to Angiotech a written undertaking in which the World Class Sublicensee agrees to be bound by the terms and conditions of this Agreement in the capacity of Histogenics.

2. Miscellaneous.

2.1 Entire Agreement; Confirmation of Agreement. Except as specifically otherwise amended as set forth herein, the Agreement shall continue in full force and effect.

2.2 Counterparts. This Fifth Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures of the parties hereto will have the same effect as original signatures. In making proof of this Fifth Amendment, it shall not be necessary to produce or account for more than one such counterpart.

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

[Signature Page Follows]

CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties have caused this Fifth Amendment to be executed and delivered by the respective duly authorized officers as of the date set forth above.

ANGIOTECH PHARMACEUTICALS (US), INC.

ANGIODEVICE INTERNATIONAL GmbH

By: /s/ Jonathan Chen
Name: Jonathan Chen
Title: President
Date:

By: /s/ David D. McMasters
Name: David D. McMasters
Title: Managing Director
Date:

HISTOGENICS CORPORATION

By: /s/ F. Ken Andrews
Name: F. Ken Andrews
Title: CEO & President
Date: 8-6-10

EXHIBIT D

DEFINITION OF NET SALES FOR WORLD CLASS SUBLICENSEE

“Net Sales” shall mean, for any period, the gross amount invoiced by the World Class Sublicensee or any of its affiliates or sublicensees for the sale of Eligible Products in the territory licensed to the World Class Sublicensee, less deductions for: (a) normal and customary trade, quantity and cash discounts and sales returns and allowances, including those granted on account of price adjustments, billing errors, rejected goods, damaged goods and returns, administration fees and chargebacks; (b) freight, postage, shipping and insurance expenses to the extent that such items are included in the gross amount invoiced and relate to outbound shipping from the place of manufacture to the purchaser; (c) customs and excise duties and other duties related to the sales, to the extent that such items are included in the gross amount invoiced; and (d) rebates and similar payments made with respect to sales paid for by any governmental or regulatory authority such as, by way of illustration and not in limitation of the Parties’ rights hereunder, Federal or state Medicaid, Medicare or similar state program or equivalent foreign governmental program. Any of the deductions listed above that involves a payment by or on behalf of the World Class Sublicensee or any of its affiliates or sublicensees shall be taken as a deduction in the Calendar Quarter in which the payment is accrued by the World Class Sublicensee, its affiliate or sublicensee, as the case may be. For purposes of determining Net Sales, an Eligible Product shall be deemed to be sold when invoiced. The transfer by the World Class Sublicensee or any of its affiliates or any of its sublicensees of Eligible Product to the World Class Sublicensee, any of its affiliates or any of its sublicensees shall not result in any Net Sales nor shall transfers or dispositions of Eligible Product for pre clinical or clinical purposes or as samples, in each case without charge, result in any Net Sales. Net Sales shall be calculated using International Financial Reporting Standards, consistently applied.

CONFIDENTIAL TREATMENT REQUESTED
REINSTATEMENT AGREEMENT AND
SIXTH AMENDMENT TO LICENSE AGREEMENT

THIS REINSTATEMENT AGREEMENT AND SIXTH AMENDMENT TO LICENSE AGREEMENT (this "Reinstatement and Sixth Amendment"), effective February 8, 2011, is by and among:

Angiotech Pharmaceuticals (US), Inc., a corporation organized and existing under the laws of the State of Washington, with principal offices at North Bend, WA ("Angiotech US");

Angiodevice International GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland ("Angiodevice"); and

Histogenics Corporation, a corporation organized and existing under the laws of the State of Delaware (formerly under the laws of Massachusetts), with principal offices at 830 Winter Street, 3rd Floor, Waltham, MA 02451 (formerly at 100 Hospital Road, Malden, MA 02148) ("Histogenics").

WITNESSETH

WHEREAS, Angiotech Biomaterials Corp. ("Biomaterials"), Angiodevice and Histogenics entered into that certain License Agreement, effective as of May 12, 2005, pursuant to which Biomaterials and Angiodevice licensed to Histogenics the right to use certain domestic and foreign patents, patent applications and know how relating to the manufacture and use of CT3 (the "Original License Agreement"), copy of which is attached hereto;

WHEREAS, effective as of November 4, 2005, all of the assets of Biomaterials were sold to Angiotech US and Biomaterials was wound up;

WHEREAS, in connection with such sale of assets, Biomaterials assigned the Original License Agreement to Angiotech US and Angiotech US assumed all rights and obligations of Biomaterials under the Original License Agreement as if it were the original party thereto;

WHEREAS, Angiotech US, Angiodevice and Histogenics entered into an Amendment to License Agreement, dated as of August 31, 2007, a Second Amendment to License Agreement, dated as of January 1, 2008, a Third Amendment to License Agreement dated as of April 15, 2008, a Fourth Amendment to License Agreement, dated as of November 1, 2008, and a Fifth Amendment to License Agreement, dated as of August 6, 2010 (the "Fifth Amendment"); and the Original License Agreement, as amended by the foregoing amendments, the "Agreement";

WHEREAS, pursuant to Section 3.2 of the Agreement, Histogenics elected to convert the Histogenics License to one of exclusivity by making full payment of the Exclusivity Payment pursuant to Section 3.2(a)(ii) of the Agreement, but failed to make the Revenue Share Reduction Payment prior to **** pursuant to Section 3.2(a)(iii) of the Agreement;

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CONFIDENTIAL TREATMENT REQUESTED

WHEREAS, Angiodevice, Angiotech US and Histogenics entered into the Fifth Amendment to extend the deadline for Histogenics to make the Revenue Share Reduction Payment to *****, to extend the deadline specified in Section 4.1 of the Agreement for *****, and to amend certain other provisions of the Agreement, including adding provisions relating to a potential sublicensing transaction between Histogenics and a certain sublicensee;

WHEREAS, because the potential sublicensing transaction with such sublicensee was not completed, Histogenics was not able to make the Revenue Share Reduction Payment by the extended deadline and, therefore, the deadline for *****;

WHEREAS, because Histogenics did not *****, Angiotech issued to Histogenics on January 19, 2011 a notice of termination of the Agreement for material breach pursuant to Section 8.2(a) (the "Termination Notice"), which notice specified a termination date of February 18, 2011 (the "Termination Date");

WHEREAS, Angiotech US, Angiodevice and Histogenics have determined that it is in their best interests to enter into this Reinstatement and Sixth Amendment to provide for reinstatement of the Agreement under certain conditions and, in the event such conditions are met, to amend certain provisions of the reinstated Agreement; and

WHEREAS, Angiotech US has *****;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Angiodevice, Angiotech US and Histogenics hereby agree as follows:

1. Definitions. Capitalized terms used in this Reinstatement and Sixth Amendment shall have the meaning given to them in the Agreement unless they are otherwise defined herein.

2. Reinstatement of the Agreement.

2.1 Angiodevice, Angiotech US and Histogenics acknowledge that the Agreement shall terminate as of the Termination Date. However, if no later than *****, Histogenics has fulfilled all of the following: (a) closed a bona fide financing of Histogenics with net proceeds to Histogenics of at least ***** (the "Qualified Financing"); (b) paid to Angiotech one million dollars (\$1,000,000) (the "Reinstatement Fee"); and (c) paid to Angiotech fifty thousand dollars (\$50,000) (the "Annual Patent Fee"); then on the date that Histogenics fulfills the requirements of the last of (a), (b) and (c) (the "Reinstatement Date"), the Termination Notice shall be treated as if it were never given, the Agreement shall be deemed to have continuously been in full force and effect from the Termination Date to the Reinstatement Date, and the Agreement shall continue thereafter in accordance with its terms.

*****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

2.2 If the Agreement is reinstated pursuant to Section 2.1 of this Reinstatement and Sixth Amendment, Angiotech hereby agrees not to ****. Angiotech hereby acknowledges that in the event that the Agreement were rejected pursuant to section 365 of the Bankruptcy Code, Histogenics would be entitled to the benefit of section 365(n) of the Bankruptcy Code and elect to either retain its rights under the Agreement or treat such contract as terminated pursuant and subject to such provision of the Bankruptcy Code.

3. Amendment to the Reinstated Agreement. The following amendments shall become effective as of the Reinstatement Date:

3.1 Sections 1.2, 1.5, 1.7, 1.10, 1.11, 1.12, 1.13, 1.16, 1.20, and 1.22 of the Fifth Amendment are hereby deleted in their entirety. Any sections of the Agreement amended by such sections of the Fifth Amendment shall revert to the language as it existed prior to the Fifth Amendment.

3.2 Section 1 of the Agreement is hereby amended by adding the following new definition of "Royalty Term":

"Royalty Term" means, on a country by country and product by product basis, for each Eligible Product for a particular country in the Territory, the period commencing on the First Commercial Sale of such Eligible Product in such country and ending upon the date that is the last to occur of the following: ****.

3.3 The new language added to Section 3.1 of the Agreement by Section 1.8 of the Fifth Amendment is hereby amended and restated in its entirety as follows:

"As further consideration for the Histogenics License, Histogenics shall pay to Angiotech (a) three million dollars (\$3,000,000) within thirty (30) days after Histogenics receives Regulatory Approval from the FDA for an Eligible Product, and (b) the Annual Patent Fee described in Section 2.1(c) of the Reinstatement and Sixth Amendment plus an additional fifty thousand dollars (\$50,000) on each of the three following anniversaries of the Qualified Financing (for an aggregate payment of two hundred thousand dollars (\$200,000) pursuant to this Section 3.1(b)). For the avoidance of doubt, receipt of such Regulatory Approval by a permitted sublicensee shall trigger Histogenics' obligation to make the payment described in Section 3.1(a)."

3.4 Section 3.2(a)(iii) of the Agreement is hereby amended and restated in its entirety to state as follows:

"(iii) The "Revenue Share Reduction Payment" means an aggregate payment of **** as follows: (A) the ****

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CONFIDENTIAL TREATMENT REQUESTED

**** Reinstatement Fee described in Section 2.1(b) of the Reinstatement and Sixth Amendment, plus (B) **** paid to Angiotech in six (6) equal quarterly installments of ****, with the first such quarterly payment to be made to Angiotech within ****. If Histogenics pays to Angiotech the full Revenue Share Reduction Payment according to the payment schedule described above, Histogenics shall thereafter be required to pay to Angiotech **** of Net Sales of those Eligible Products that contain living human cartilage cells and **** of Net Sales of those Eligible Products that do not contain living human cartilage cells. The payments of a percentage of Net Sales of Eligible Products as determined in this Section 3.2(a) shall be referred to herein as the “Revenue Share”. Any failure to make a payment describe in (B) above on or before the applicable deadline will be considered a material breach of this Agreement as that term is used in Section 8.2(a).”

3.5 Section 3.2(b) of the Agreement is hereby amended and restated in its entirety to state as follows:

“(b) Obligation to pay Revenue Share. The obligation on Histogenics to pay a Revenue Share to Angiotech for a given Eligible Product in a given country as provided for in this Article 3 begins upon the First Commercial Sale for such Eligible Product in such country and ends at the end of the Royalty Term for such Eligible Product in such country. Histogenics shall make the first payment of Revenue Share to Angiotech after the end of the Calendar Quarter in which the First Commercial Sale of an Eligible Product in any country in the Territory occurs with the timing of such payment as described in Section 3.5.”

3.6 Section 4.1 of the Agreement is hereby amended and restated in its entirety to state as follows:

3.7 Section 8.1 of the Agreement is hereby amended and restated in its entirety to state as follows:

“8.1 The term of this Agreement shall, subject to the early termination provisions specifically provided for herein, begin on the Effective Date and end upon the earlier of (a) thirty (30) years, and (b) the expiration of all royalty payment obligations’ hereunder.

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

4. Miscellaneous

4.1 Entire Agreement; Certification of Agreement. Except as specifically otherwise amended, as set forth herein, the Agreement shall continue in full force and effect.

4.2 Counterparts. This Reinstatement and Sixth Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures of the parties hereto will have the same effect as original signatures. In making proof of this Reinstatement and Sixth Amendment, it shall not be necessary to produce or account for more than one such counterpart.

[Signature Page Follows]

CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties have caused this Reinstatement and Sixth Amendment to be executed and delivered by the respective duly authorized officers as of the date first set forth above.

ANGIOTECH PHARMACEUTICALS (US), INC.

ANGIODEVICE INTERNATIONAL GmbH

By: /s/ K. Thomas Bailey
Name: K. Thomas Bailey
Title: President
Date: February 8, 2011

By: /s/ David D. McMasters
Name: David D. McMasters
Title: Managing Director
Date: February 8, 2011

HISTOGENICS CORPORATION

By: /s/ F. Ken Andrews
Name: F. Ken Andrews
Title: President & CFO
Date: February 10, 2011

CONFIDENTIAL TREATMENT REQUESTED

SEVENTH AMENDMENT TO LICENSE AGREEMENT

THIS SEVENTH AMENDMENT TO LICENSE AGREEMENT (this "Seventh Amendment"), effective March 31, 2011, is by and among:

Angiotech Pharmaceuticals (US), Inc., a corporation organized and existing under the laws of the State of Washington, with principal offices at North Bend, WA ("Angiotech US");

Angiodevice International GmbH, a corporation organized and existing under the laws of the Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland ("Angiodevice");

Histogenics Corporation, a corporation organized and existing under the laws of the State of Delaware (formerly under the laws of Massachusetts), with principal offices at 830 Winter Street, 3rd floor, Waltham, MA 02451 (formerly at 100 Hospital Road, Malden, MA 02148) ("Histogenics");

WITNESSETH

WHEREAS, Angiotech Biomaterials Corp. ("Biomaterials"), Angiodevice and Histogenics entered into that certain License Agreement, effective as of May 12, 2005, pursuant to which biomaterials and Angiodevice licensed to Histogenics the right to use certain domestic and foreign patents, patent applications and know how relating to the manufacturer and use of CT3 (the "Original License Agreement"), a copy of which is attached hereto;

WHEREAS effective as of November 4, 2005, all of the assets of Biomaterials were sold to Angiotech US and Biomaterials was wound up;

WHEREAS, in connection with such sale of assets, Biomaterials assigned the Original License Agreement to Angiotech US and Angiotech US assumed all rights and obligations of Biomaterials under the Original License Agreement as if it were the original party thereto;

WHEREAS, Angiotech US, Angiodevice and Histogenics entered into an Amendment to License Agreement, dated as of August 31, 2007, a Second Amendment to License Agreement, dated as of January 1, 2008, a Third Amendment to License Agreement, dated as of April 15, 2008, a Fourth Amendment to License Agreement, dated as of November 1, 2008, a Fifth Amendment to License Agreement, dated as of August 6, 2010, and a Reinstatement Agreement and Sixth Amendment to License Agreement, dated as of February 8, 2011 (the "Reinstatement"); and the Original License Agreement, as amended by the foregoing amendments (the "Agreement");

CONFIDENTIAL TREATMENT REQUESTED

WHEREAS, Angiodevice, Angiotech US and Histogenics entered into the Reinstatement for the purpose of reinstating the Agreement and setting forth the conditions for doing so;

WHEREAS, Angiotech US, Angiodevice and Histogenics have determined that it is in their best interests to enter into this Seventh Amendment to amend the date by which Histogenics must have closed a Qualified Financing as set forth in Section 2.1 of the Reinstatement;

WHEREAS, ****

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Angiodevice, Angiotech US and Histogenics hereby agree as follows:

1. Definitions. Capitalized terms used in this Seventh Amendment shall have the meaning given to them in the Agreement unless they are otherwise defined herein.

2. Amendment of Section 2.1. Section 2.1 of the Reinstatement is hereby amended to read as follows:

2.1 Angiodevice, Angiotech US and Histogenics acknowledge that the Agreement shall terminate as of the Termination Date. However, if no later than **** (except as to clause (a), below, for which the date shall be no later than ****), Histogenics has fulfilled all of the following: (a) closed a bona fide financing of Histogenics with net proceeds to Histogenics of at least **** (the "Qualified Financing"); (b) paid to Angiotech one million dollars (\$1,000,000) (the "Reinstatement Fee"); and (c) paid to Angiotech fifty thousand dollars (\$50,000) (the "Annual Patent Fee"); then on the date that Histogenics fulfills the requirements of the last of (a), (b) and (c) (the "Reinstatement Date"), the Termination Notice shall be treated as if it were never given, the Agreement shall be deemed to have continuously been in full force and effect from the Termination Date to the Reinstatement Date, and the Agreement shall continue thereafter in accordance with its terms.

3. Miscellaneous.

3.1 Entire Agreement; Confirmation of Agreement. Except as specifically otherwise amended as set forth herein, the Agreement shall continue in full force and effect.

3.2 Counterparts. This Seventh Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures of the parties hereto will have the same effect as original signatures. In making proof of this Seventh Amendment, it shall not be necessary to produce or account for more than one such counterpart.

****CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties have caused this Seventh Amendment to be executed and delivered by the respective duly authorized officers as of the date first set forth above.

ANGIOTECH PHARMACEUTICALS (US), INC.

ANGIODEVICE INTERNATIONAL GmbH

By: _____
Name: K. Thomas Bailey
Title: President
Date:

By: _____
Name: David D. McMasters
Title: Managing Director
Date:

HISTOGENICS CORPORATION

By: /s/ Richard C. Vaillant

Name: Richard C. Vaillant
Title: CFO
Date: 3-24-11

CONFIDENTIAL TREATMENT REQUESTED

EIGHTH AMENDMENT

TO

LICENSE AGREEMENT

THIS EIGHTH AMENDMENT TO LICENSE AGREEMENT (this "Eighth Amendment"), effective June 29, 2012, is by and among:

Angiotech Pharmaceuticals (US), Inc., a corporation organized and existing under the laws of the State of Washington, with principal offices at North Bend, WA ("Angiotech US");

Angiodevice International GmbH, a corporation organized and existing under the laws of Switzerland, with principal offices at Dammstrasse 19, Postfach, CH-6301 Zug, Switzerland ("Angiodevice" and, together with Angiotech US, the "Licensor"); and

Histogenics Corporation, a corporation organized and existing under the laws of the State of Delaware (formerly under the laws of Massachusetts), with principal offices at 830 Winter Street, 3rd Floor, Waltham, MA 02451 (formerly at 100 Hospital Road, Malden, MA 02148) ("Histogenics").

WITNESSETH

WHEREAS, Angiotech Biomaterials Corp. ("Biomaterials"), Angiodevice and Histogenics entered into that certain License Agreement, effective as of May 12, 2005, pursuant to which Biomaterials and Angiodevice licensed to Histogenics the right to use certain domestic and foreign patents, patent applications and know how relating to the manufacture and use of CT3 (the "Original License Agreement");

WHEREAS, effective as of November 4, 2005, all of the assets of Biomaterials were sold to Angiotech US and Biomaterials was wound up and in connection with such sale of assets, Biomaterials assigned the Original License Agreement to Angiotech US and Angiotech US assumed all rights and obligations of Biomaterials under the Original License Agreement as if it were the original party thereto;

WHEREAS, the Licensor and Histogenics entered into that certain Amendment to License Agreement, dated as of August 31, 2007, that certain Second Amendment to License Agreement, dated as of January 1, 2008, that certain Third Amendment to License Agreement, dated as of April 15, 2008, that certain Fourth Amendment to License Agreement, dated as of November 1, 2008, that certain Fifth Amendment to License Agreement, dated as of August 6, 2010, that certain Reinstatement Agreement and Sixth Amendment to License Agreement, dated as of February 8, 2011, and that certain Seventh Amendment, effective as of March 31, 2011 (the Original License Agreement, as amended by the foregoing amendments, shall be referred to herein as the "Agreement");

WHEREAS, Section 4.1 of the Original License Agreement contained a diligence obligation requiring Histogenics to ****

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****;

WHEREAS, Histogenics desires to amend the Agreement to remove the provision requiring ****;

WHEREAS, Angiotech US, Angiodevice, and Histogenics have determined that it is in their best interests to amend the provisions regarding diligence obligations in Section 4.1 of the Agreement;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Angiodevice, Angiotech US and Histogenics hereby agree as follows:

1. Amendment.

1.1 Section 4.1 of the Agreement is hereby amended and restated in its entirety to state as follows:

“4.1 Diligence Obligations. It is understood and acknowledged that part of the consideration for this License is Histogenics’s intention to bring one or more Eligible Products to market through a program for exploitation of the Licensed Technology and, once commercialized, thereafter to continue active, diligent marketing and sales efforts for Eligible Products throughout the life of this Agreement.

2. Miscellaneous

2.1 Entire Agreement; Confirmation of Agreement. Except as specifically otherwise amended as set forth herein, the Agreement shall continue in full force and effect.

2.2 Counterparts. This Eighth Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures of the parties hereto will have the same effect as original signatures. In making proof of this Eighth Amendment, it shall not be necessary to produce or account for more than one such counterpart.

[Signature Page Follows]

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CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties have caused this Eighth Amendment to be executed and delivered by the respective duly authorized officers as of the date set forth above.

ANGIOTECH PHARMACEUTICALS (US), INC.

ANGIODEVICE INTERNATIONAL GmbH

By: /s/ Tammy Neske
Name: Tammy Neske
Title: Authorized Signatory
Date: June 29, 2012

By: /s/ K. Thomas Bailey
Name: K. Thomas Bailey
Title: Director
Date: June 29, 2012

HISTOGENICS CORPORATION

By: /s/ Patrick O'Donnell

Name: Patrick O'Donnell
Title: President & CEO
Date: June 29, 2012

CONFIDENTIAL TREATMENT REQUESTED**Paid-up License Agreement**

THIS AGREEMENT made and entered into as of March 6, 2013 by and between KOKEN Co., Ltd. (hereinafter referred to as "KOKEN") and HISTOGENICS CORPORATION (hereinafter referred to as "HISTOGENICS").

WITNESSETH:

WHEREAS, KOKEN has developed extensive technical information related to manufacturing process of honeycomb materials (hereinafter referred to as "MATERIALS");

WHEREAS, HISTOGENICS continually purchases from KOKEN MATERIALS manufactured by KOKEN for clinical trial use under SUPPLY AGREEMENT dated April 1, 2003 between the parties;

WHEREAS, HISTOGENICS desires to obtain a non-exclusive right to use CONFIDENTIAL INFORMATION hereinafter defined for manufacturing MATERIALS suitable for commercial applications; and

WHEREAS, KOKEN is willing to grant to HISTOGENICS such right under the terms and conditions hereinafter contained;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties agree as follows:

Article 1 (Definitions)

As used in this Agreement,

- (1) "CONFIDENTIAL INFORMATION" means any and all technical information and know-how owned by KOKEN which relate to manufacturing process of MATERIALS and which will be disclosed by KOKEN hereunder ****. CONFIDENTIAL INFORMATION includes the following information and

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CONFIDENTIAL TREATMENT REQUESTED

documentation, but does not include any technical information related to collagen products;

- a flow chart of manufacturing process of MATERIALS.
- any information HISTOGENICS may access during FACTORY TOUR hereinafter defined.

(2) "FACTORY TOUR" means the factory tour at KOKEN Tsuruoka Factory now scheduled to be conducted from March 11 to 15, 2013.

Article 2 (Grant of License)

Subject to the terms and conditions herein contained, KOKEN hereby grants to HISTOGENICS a non-exclusive and non-transferable right without the right to sublicense to use CONFIDENTIAL INFORMATION for manufacture of MATERIALS suitable for commercial applications.

Article 3 (Disclosure of CONFIDENTIAL INFORMATION)

KOKEN will disclose CONFIDENTIAL INFORMATION to HISTOGENICS at FACTORY TOUR.

Attendant at FACTORY TOUR shall be limited to HISTOGENICS's employees with respect to whom KOKEN's prior written approval has been obtained.

Article 4 (Payment)

In consideration of the license granted and disclosure hereunder, HISTOGENICS shall pay to KOKEN *****, without any deduction, to the bank account designated by KOKEN within five(5) days from the execution dated hereof.

Article 5 (Disclaimer of Warranties)

HISTOGENICS confirms and agrees that CONFIDENTIAL INFORMATION is disclosed and licensed to HISTOGENICS on an "as is" basis.

THERE ARE NO WARRANTIES BY KOKEN, WITH RESPECT TO CONFIDENTIAL INFORMATION AND LICENSE GRANTED HEREUNDER, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR

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CONFIDENTIAL TREATMENT REQUESTED

PARTICULAR PURPOSE AND NO INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHT OF A THIRD PARTY.

Article 6 (Secrecy)

HISTOGENICS agrees to maintain CONFIDENTIAL INFORMATION in strict confidence and protect CONFIDENTIAL INFORMATION against unauthorized disclosure or access.

HISTOGENICS agrees not to make any disclosure of CONFIDENTIAL INFORMATION to any third party including *****, except to ***** who have agreed in writing to receive it under the terms at least so restrictive as those specified in this Agreement.

HISTOGENICS agrees not to apply for any patent, utility model right or any other intellectual property right based on CONFIDENTIAL INFORMATION.

HISTOGENICS will ensure that its contract manufacturers use CONFIDENTIAL INFORMATION *****. HISTOGENICS will ensure that its contract manufacturers do not use CONFIDENTIAL INFORMATION *****.

Article 7 (Indemnification)

HISTOGENICS agrees to defend, indemnify and hold harmless KOKEN, its directors, officers and employees from and against any claims, actions or demands resulting from use of CONFIDENTIAL INFORMATION.

Article 8 (Termination)

KOKEN may, without prejudice to any other rights or remedies, terminate this Agreement by giving a written notice to HISTOGENICS with immediate effect, if the following event should occur;

(a) if HISTOGENICS fails to make any payment to KOKEN hereunder;

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CONFIDENTIAL TREATMENT REQUESTED

- (b) if HISTOGENICS fails to perform any other obligation hereunder, which failure remains uncorrected for more than thirty (30) days after receipt of a written notice specifying the default; or
- (c) if HISTOGENICS files a petition in bankruptcy, or a petition in bankruptcy is filed against it, or HISTOGENICS becomes insolvent, bankrupt, or goes into liquidation or receivership.

Upon termination of this Agreement, HISTOGENICS shall forthwith cease to use CONFIDENTIAL INFORMATION and return CONFIDENTIAL INFORMATION in tangible form to KOKEN.

The provisions of Articles 5 to 7 shall survive the termination of this Agreement.

Article 9 (Remedies)

HISTOGENICS acknowledges that CONFIDENTIAL INFORMATION is proprietary and valuable to KOKEN and KOKEN may incur irreparable harm and loss as a result of HISTOGENICS's breach of this Agreement and that in case of such breach, the monetary damages may not be an adequate remedy and KOKEN is entitled to seek not only the monetary damages, but also injunction in addition to any other remedies available for KOKEN at law or in equity.

Article 10 (Assignment)

This Agreement or any part of this Agreement may not be assigned by either party without the prior written consent of the other party.

"Assignment" under this Article includes any assignment due to merger, consolidation, reorganization, or otherwise.

Article 11 (Severability of Provisions)

In case where any provision of this Agreement is determined to be illegal or invalid, such illegality or invalidity shall not affect the validity and effect of the remaining provisions of this Agreement.

CONFIDENTIAL TREATMENT REQUESTED

Article 12 (Entire Agreement and Amendment)

This Agreement shall constitute the entire agreement and understanding of KOKEN and HISTOGENICS as to the subject matter of this Agreement and supersedes all prior oral or written agreements, arrangements or understandings between KOKEN and HISTOGENICS.

This Agreement may be amended only in a writing signed by KOKEN and HISTOGENICS.

Article 13 (Governing Law)

This Agreement shall be governed and construed in accordance with the law of ****.

Article 14 (Arbitration)

Any dispute concerning this Agreement shall be settled by arbitration conducted by three arbitrators in accordance with the **** in ****. The arbitral award may be entered in any court having jurisdiction Over KOKEN and HISTOGENICS or their assets. Notwithstanding above, KOKEN may seek preliminary injunctive relief in any court of competent jurisdiction.

Article 15 (Headings)

The headings appearing in this Agreement are inserted for convenience of reference only and shall not form a part hereof.

IN WITNESS WHEREOF, KOKEN and HISTOGENICS have caused this Agreement to be executed by their duly authorized representatives in duplicate as of the date and year first above written.

KOKEN Co., Ltd.

HISTOGENICS CORPORATION

/s/ Yuzo Tarumi

/s/ Kevin McArdle

Yuzo Tarumi

Kevin McArdle

President

Chief Financial Officer

Date Mar. 7, 2013

Date March 6, 2013

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CONFIDENTIAL TREATMENT REQUESTED**AGREEMENT**

Agreement made and entered into as of the 22nd day of June, 2012, by and between Purpose Co., Ltd., f/k/a Takagi Sangyo Co. Ltd., and also f/k/a Takagi Industrial Co., Ltd., a Japanese corporation ("Takagi"), and Histogenics Corporation, a Delaware corporation ("Histogenics") (the "Agreement"). The parties agree as follows:

1. Introduction. Takagi and Histogenics are parties to the following agreements and no others (the "Existing Agreements"):

Subscription and Business Agreement dated July 6, 2000

Amendment to Subscription and Business Agreement dated September 23, 2005

Supplemental Agreement dated May 11, 2006.

The purpose of this Agreement is to amend, restate and otherwise terminate the Existing Agreements and replace them with this Agreement. The parties further acknowledge that Histogenics is party to a term sheet dated February 24, 2012 with **** (the "**** Term Sheet"), a copy of which is attached hereto as Exhibit A. This Agreement is being entered into in contemplation of the Initial Closing under the **** Term Sheet (the "Effective Date"), and this Agreement shall be in full force and effect as of the Effective Date.

2. Termination of Existing Agreements. Upon the Effective Date, the Existing Agreements shall be of no further force and effect and this Agreement and any other agreements attached as or contemplated by Exhibits to this Agreement shall represent the entire understanding of the parties.

3. License of Technology.

(a) License to Histogenics. Takagi hereby grants to Histogenics outside of Japan the perpetual (with respect to patent rights, for the full term of each patent licensed hereunder), paid-up, worldwide, sublicensable, exclusive right under all patent rights ("Takagi Patents") and technology (including, but not limited to, all know-how, trade secrets, copyrightable works, design and technical information and all improvements, modifications, updates or derivatives thereof) (the "Takagi Technology") relating to Takagi's exogenous tissue processor as used for producing the Histogenics Product Line (as such term is defined in Section 3(b) below), whether owned by Takagi or based upon

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rights held by Takagi, and whether now owned or held by Takagi or at any time following the date of this Agreement, in the Field of Use (as defined below) to (i) use, make, have made, sell, offer for sale, and import products or services that would, but for the license granted under the Takagi Patents, infringe a valid claim of any Takagi Patent, and (ii) use, reproduce, modify and create derivative works of the Takagi Technology for the design, development, manufacture, testing, support and commercialization of any product or service that incorporates or builds upon the Takagi Technology. The Takagi Patents hereby include, without limitation, the patent rights owned by Takagi that are listed on Exhibit B-1 to this Agreement. The "Field of Use" consists of any applications of the Takagi Technology and Histogenics Technology (as defined below) in connection with articular cartilage, ligaments, tendons and meniscus. Takagi retains its rights to the Takagi Technology and Takagi Patents for any applications outside the Field of Use. Takagi shall also have the right to sell its TEPs (as such term is defined below) in Section 4 to research institutes for general but noncommercial use anywhere in the world. Takagi acknowledges that the license granted hereby gives Histogenics the right but not the obligation, to use the Takagi Technology or practice the Takagi Patents.

(b) License to Takagi. Histogenics hereby grants to Takagi the perpetual (with respect to patent rights, for the full term of each patent licensed hereunder), paid-up, subslicensable, exclusive right solely in Japan under all patent rights ("Histogenics Patents") and technology (including, but not limited to, all know-how, trade secrets, copyrightable works, design and technical information and all improvements, modifications, updates or derivatives thereof) (the "Histogenics Technology") relating to Histogenics' biotechnology and biomaterials, whether owned by Histogenics or based upon rights held by Histogenics, and whether now owned or held by Histogenics or at any time following the date of this Agreement in the Field of Use to (i) use, make, have made, sell, offer for sale, and import products and services that would, but for the license granted under the Histogenics Patents, infringe a valid claim of any Histogenics Patent, and (ii) use, reproduce, modify and create derivative works of the Histogenics Technology for the design, development, manufacture, testing, support and commercialization of any product or service that incorporates or builds upon the Histogenics Technology. The Histogenics Patents

CONFIDENTIAL TREATMENT REQUESTED

hereby include, without limitation, the patent rights owned by Histogenics that are listed on Exhibit B-2 to this Agreement. Histogenics retains its rights to the Histogenics Technology and Histogenics Patents for any applications outside the Field of Use and for inside the Field of Use anywhere in the world other than Japan. Histogenics acknowledges that the license granted hereby gives Takagi the right, but not the obligation, to use the Histogenics Technology or practice the Histogenics Patents in Japan. Notwithstanding anything to the contrary contained in the foregoing, the license rights granted to Takagi under this Section 3(b) are limited to the following Histogenics' products: Neocart**** (both individually and collectively, the "Histogenics Product Line"). Histogenics represents to Takagi that as of the date of this Agreement the Histogenics Product Line represents all of the products it has currently under development.

4. Sale of Machines. Takagi shall continue to manufacture and sell single unit exogenous tissue processor machines (so-called "TEPs") to Histogenics to the extent desired by Histogenics. Prior to the commercialization of Histogenics' first product ("Neocart"), Takagi shall sell TEPs to Histogenics at ****. Thereafter, Takagi shall sell TEPs to Histogenics at ****. Within 60 days of the execution of this Agreement, the parties shall enter into a service agreement, the form of which shall be attached to this Agreement as Exhibit C, which service agreement shall cover the maintenance and servicing of both the existing TEPs owned by Histogenics and any additional TEPs that Histogenics may purchase from Takagi in the future. The parties agree that the service agreement shall be "industry standard" as to its form and terms.

5. Reimbursement of Development Costs. The parties acknowledge that Takagi has incurred 19,572,000 YEN in costs prior to the date of this Agreement in developing a multi-unit TEP on Histogenics behalf. On the Effective Date Histogenics shall pay that amount to Takagi. Takagi acknowledges that Histogenics intends to continue the development of a multi-unit TEP with an alternative supplier and that Histogenics shall not be liable for any future costs incurred by Takagi in developing a multi-unit TEP absent a separate written agreement between the parties for that purpose.

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CONFIDENTIAL TREATMENT REQUESTED

6. Territories. The parties acknowledge that pursuant to the Existing Agreements various portions of the world were not allocated between the parties as exclusive Territories for exploiting the Takagi Technology and Histogenics' Technology. The parties hereby acknowledge and agree that Histogenics shall have worldwide rights to its products and technology and, within the Field of Use, the Takagi Technology with the sole exception that Takagi shall retain the exclusive rights to commercialize, manufacture, and sell the Histogenics Product Line in the Field of Use in Japan. Histogenics shall cooperate with Takagi, and provide such Histogenics Technology, data and technical information, support, and assistance to Takagi, at Takagi's sole cost and expense, in order to commercialize all or any portion of the Histogenics Product Line in the Field of Use and to obtain the requisite governmental approvals to manufacture and sell the Histogenics Product Line in Japan from the Ministry of Health, Labour and Welfare. Prior to commercialization of the Histogenics Product Line in Japan, Histogenics shall supply Takagi with its clinical requirements of collagen scaffolds and CT3 at *****. Upon commercialization of the Histogenics Product Line, Histogenics shall supply Takagi with such components at *****. Takagi shall be responsible for *****. Prior to commercialization of any of the products included in the Histogenics Product Line in Japan, the parties shall enter into an agreement that will address supply of components, sales and royalty reporting and payments due to third parties, audit rights of sales records, and other commercially reasonable requirements. To the extent that Takagi is assisted in the commercialization, manufacture, sale or governmental approval process of the Histogenics Product Line or other Histogenics products in the Field of Use by third parties, Takagi agrees that it shall cause such parties to enter into appropriate nondisclosure and confidentiality agreements in such form as Histogenics shall reasonably require.

7. Brigham and Women's License. Reference is made to the existing license between Takagi and the Brigham and Women's Hospital, Inc. dated August 1, 2001 as amended by agreements dated December 30, 2005 and May 4, 2010 (the "B&W License"). Pursuant to the Existing Agreements,

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CONFIDENTIAL TREATMENT REQUESTED

Histogenics has undertaken to pay any royalties due under the B&W License to the extent that such royalties are measured by Histogenics' revenue. Histogenics has also agreed to pay any minimum royalties or milestone payments required by Sections 4.4 and 4.5 of the B&W License. Histogenics shall continue to honor these obligations until such time as Histogenics is no longer using the technology licensed by the B&W License. Upon written notice from Histogenics of its intent to cease using the technology licensed by the B&W License, Takagi shall reassume all responsibility under the B&W License or, at Takagi's option, allow the B&W License to lapse. Histogenics shall defend, indemnify and hold Takagi harmless from any claim by or liability to ****.

8. Consideration. At such time as when Histogenics enters into a transaction that would constitute an "Event of Liquidation" as defined in the **** Term Sheet (a "Liquidity Event"), then, upon the closing of such Liquidity Event, Takagi shall be paid from the proceeds, as, if; when and "in-kind" received by Histogenics or its stockholders, the Consideration (as such term defined below). The term "Consideration" shall mean 7.8125% of the net proceeds of any Liquidity Event. In the event that Histogenics requires financing exceeding the \$48 million contemplated by the **** Term Sheet prior to a Liquidity Event, and one or more the investors (including their successors and assigns) participating in the financing contemplated by the **** Term Sheet (the "**** Investors") also participate in such additional financing, then the Consideration will be subject to dilution pursuant to the following formula:

$$\frac{\$48M}{(\$48M + \$x)} \times 7.8125\% = \text{New Consideration Percentage}$$

where \$x is the additional amount of equity investment beyond the \$48 million contemplated by the **** Term Sheet. The Consideration shall be paid from the net proceeds to be received by the Histogenics' stockholders after the payment of; (a) transaction costs to unaffiliated third parties, (b) repayment of debt incurred after the Effective Date, if any, and (c) the payment of all rights and

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CONFIDENTIAL TREATMENT REQUESTED

preferences due to the **** Investors. To the extent that the stockholders of Histogenics receive payment of the purchase price from a Liquidity Event over time, such as an escrow, installment sale or earnout, then the Consideration shall be paid as funds (whether in cash or in-kind) are actually received by the stockholders of Histogenics. At the Effective Date, the stockholders (which term in this Agreement includes the **** Investors) shall enter into a Stockholders Agreement whereby they agree on behalf of themselves and their successors and assigns to irrevocably authorize Histogenics to pay the Consideration upon the occurrence of a Liquidity Event from the proceeds thereof directly to Takagi in accordance with the terms hereof.

If, in lieu of a Liquidity Event, Histogenics shall undertake an initial public offering of its common stock (an "IPO") then immediately prior to the IPO Histogenics and/or its stockholders shall pay the Consideration in shares of its common stock valued at the IPO price, as determined by the Histogenics IPO pricing committee (the "Shares"). For purposes of determining the aggregate number of Shares to be issued to Takagi in such case, Histogenics shall take its pre-IPO value as determined by the Histogenics IPO pricing committee, subtract from that amount the transaction costs of the IPO, the amount of post-Effective Date indebtedness, if any, of Histogenics at the time and the amount of all rights and preferences of the **** Investors, and then multiply the result by the Consideration percentage. ****

Subject to execution of any applicable confidentiality or nondisclosure agreement, Takagi shall have the right to receive and review copies of the closing documentation and agreements relating to any Liquidity Event.

9. Cooperation with **** Closing. Takagi agrees to cooperate with Histogenics to assist it in closing the transactions contemplated by the **** Term Sheet including without limitation executing such documents, votes, and certificates as Histogenics or the investors in the

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CONFIDENTIAL TREATMENT REQUESTED

transactions contemplated thereby may reasonably request; provided, however, that none of such documents, votes or certificates shall be inconsistent with the provisions of this Agreement.

10. Indemnification. Each party shall indemnify, defend and hold each other and their respective directors, officers, employees and agents, and their respective heirs, successors and assigns (the "Indemnitees") harmless from and against any liability, damage, loss or expense (including reasonable attorney's fees) incurred by or imposed upon the Indemnitees or any one of them in connection with any third-party claims, suits, actions, demands or judgments arising out of ****.

11. Confidentiality. Except as specified in Section 6, above, each party shall keep confidential any non-public information disclosed by or on behalf of, and belonging to, the other party in connection with this Agreement, whether marked as proprietary or confidential, or which, by the circumstances of the disclosure, would reasonably be understood as the proprietary information of such other party, including, but not limited to all know-how, trade secrets and proprietary technical information. The receiving party shall not disclose the other party's confidential information to any third party and shall protect such information with the same degree of care as it uses to protect its own confidential information of similar importance, but in no case using less than a reasonable degree of care, and may only disclose the confidential information to its affiliates, employees, agents or independent contractors on a need-to-know basis and who are bound by written confidentiality obligations consistent with the receiving party's obligations hereunder. The receiving party shall only use the other party's confidential information to perform its obligations or exercise its rights under this Agreement. If the receiving party receives a request pursuant to a court order, governmental body request or other legal process to disclose the other party's confidential information, the receiving party will promptly notify the other party and provide reasonable assistance to limit the scope of the required disclosure or seek a protective order. The receiving party shall not be subject to confidentiality obligations for confidential information that (a) at the time of receipt was already known to it without confidentiality obligation; (b) becomes publicly known through no wrongful act of the receiving party; (c) was received from a third party without

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CONFIDENTIAL TREATMENT REQUESTED

confidentiality restrictions; (d) is independently developed by the receiving party without use of the confidential information of the other party; or (e) is approved for release by prior written authorization by the other party or its authorized agent.

12. Patent Prosecution. Each party will have the sole right to make all decisions regarding the filing, prosecution and maintenance of its respective patents. Without limiting the foregoing, if a party does not make any filing or payment related to the prosecution or maintenance of any patent or patent application which it owns and is licensed under this Agreement (the Takagi Patents or Histogenics Patents, as applicable) or intends not to make such payment or filing or to abandon or allow any right to any such patent or patent application to lapse, it will promptly inform the other party, and such other Party will have the right, exercisable in its sole discretion and expense, to file or continue the prosecution or maintenance of such patent or patent application in its own name.

13. Patent Enforcement. Each party shall promptly notify the other party of any suspected infringement by a third party of which it is aware concerning the Takagi Patents or Histogenics Patents. **** will have the first right, but not the obligation to initiate and prosecute legal proceedings with respect to any patent **** under this Agreement (****, as applicable), at its own expense, and to control the defense of any such action. If **** does not intend to pursue any legal proceeding, **** will promptly inform ****, and **** will have the right, but not the obligation, to initiate an action at its own cost and expense only to the extent the potential infringement pertains to ****'s products or services covered by a patent ****. **** will reasonably cooperate with **** in any such effort, including being joined as a party to such action if necessary, at the expense of ****.

14. Miscellaneous. The interpretation and application of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts, which shall also serve as the exclusive venue for the resolution of any disputes. The failure of any party to enforce at any time any provision of this Agreement or any right with respect thereto, or to exercise any election as herein provided, shall in no

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may be considered to be a waiver of such provision, right or election, or in any way affect the validity of this Agreement. The exercise by any party of any right or election under the terms of this Agreement shall not preclude or prejudice any party from exercising the same or any other right it may have under this Agreement. Neither this Agreement nor the rights or obligations under it may be assigned by either party to a third party without the prior written consent of the other party, except that either party may assign this Agreement, or the rights or obligations under it, in connection with any merger, consolidation, sale of all or substantially all of its assets, equity or the business to which this Agreement relates, or similar business combination.

15. Notices. Written notices under this Agreement shall be addressed as follows:

If to Takagi: Purpose Co., Ltd.
 Medical Technology and Business Development Department
 201 Nishi-Kashiwabara Shinden
 Fuji-shi Shizuoka 417-8505
 Japan
 Attn: ****

With a copy to: ****

If to Histogenics: Histogenics Corporation
 830 Winter Street
 3rd Floor
 Waltham, MA 02451
 Attn: Patrick O'Donnell, President and CEO

With a copy to: Brown Rudnick LLP
 One Financial Center
 Boston, MA 02111
 Attn: ****

or to such other address as either party may request in writing. Notices sent by mail, facsimile, overnight delivery or email shall be effective if actually received.

16. Entire Agreement. This Agreement and the Exhibits hereto constitute the entire agreement and understanding between the parties and neither party shall be obligated by any condition or

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representation other than those expressly stated herein or as may be subsequently agreed by the parties hereto in writing.

17. Counterparts. This Agreement may be executed in one or more counterpart signature pages, and executed signature pages may be delivered via facsimile or via email with PDF scan attachment, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as an instrument under seal by their duly authorized representatives.

**PURPOSE CO., LTD.,
F/K/A TAKAGI SANGYO CO., LTD. AND
F/K/A TAKAGI INDUSTRIAL CO., LTD.**

HISTOGENICS CORPORATION

By: /s/ Chiharu Ishikawa
Name: Chiharu Ishikawa
Title: Executive Director
Date: June 25, 2012

By: /s/ Patrick O'Donnell
Name: Patrick O'Donnell
Title: President & CEO
Date: June 25, 2012

CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT A

****** TERM SHEET**

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CONFIDENTIAL TREATMENT REQUESTED

**CONFIDENTIAL TERM SHEET
FOR PROPOSED INVESTMENT IN
HISTOGENICS CORPORATION**

*This Term Sheet summarizes the terms and conditions of a proposed investment by **** through its affiliates in Histogenics Corporation. It is for discussion purposes only and, except to the extent set forth herein, is not binding upon any party. Specific provision(s) may be made binding upon the parties by explicitly so stating within this Term Sheet. Neither party is obligated to consummate an investment unless and until a definitive investment agreement has been mutually agreed to and executed by the parties. **** will serve as the lead investor for this financing.*

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- 2 -

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- 5 -

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- 6 -

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[Signature Page Follows]

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CONFIDENTIAL TREATMENT REQUESTED

Accepted by Histogenics Corporation:

/s/ Patrick O'Donnell 2-28-12

Signature Date

Patrick O'Donnell

Printed Name

President & CEO

Position

Accepted by **:**

/s/ **** 2/14/12

Signature Date

Printed Name

Position

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CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT B-1

TAKAGI PATENTS

CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT B-1

TAKAGI PATENTS*

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EXHIBIT B-2

HISTOGENICS PATENTS

CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT B-2

HISTOGENICS PATENT

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EXHIBIT C

SERVICE AND MAINTENANCE AGREEMENT

PURPOSE CO., LTD. EQUIPMENT MAINTENANCE AGREEMENT

Agreement No. PM12001

This Agreement, effective this day of July, 2012, made and entered into by and between

Purpose Co., Ltd. Hereinafter called "Provider" and
Histogenics Corporation Hereinafter called "Customer".

PROVIDER:

Address:	Phone:****
3508 Aza-mikaeshi Kamiide,	Fax:****
Fujinomiya, Shizuoka. 418-0103	Contact:****
JAPAN	Email:****

CUSTOMER:

Address:	Phone: ****
830 Winter St.	Fax: ****
3rd Floor	Contact: ****
Waltham, MA 02145	Email: ****
USA	

1. This Agreement supersedes and replaces all prior service and maintenance agreements between the parties.
2. Customer, for the full, complete and faithful performance of this Agreement, agrees to pay Provider in accordance with the rates and prices as stated herein, and Provider, for the rates and prices stated herein, agrees to perform the services set forth herein.
3. Equipment Covered by this Agreement (the "Equipment").
Refer to EXHIBIT A. As Customer purchases new Equipment from Provider, such Equipment shall automatically be deemed included on Exhibit A.
4. Place of Servicing. The Equipment is to be serviced at 830 Winter Street, 3rd Floor, Waltham, MA 02145. ("Permanent Installation Location") or such other location as Customer may elect by notice to Provider.
5. Term. Unless earlier terminated in accordance with the terms hereof, this Agreement shall be in effect from the date hereof, and shall automatically and continually renew for additional one year periods (the "Term") until such date as Customer elects to terminate by giving thirty (30) days prior notice to Provider.
6. Type of Service.
 - a. Preventive Maintenance Service. During the Term, Customer shall receive from Provider preventive maintenance service for the Equipment at regular intervals, twice every twelve

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month period ("PM Service"). Customer will provide written notice to Provider requesting PM Service, and following such request, the Customer and Provider will agree upon a mutually convenient date(s) and time(s) for the performance of the PM Service, provided that in no event shall such PM Service be performed by Provider later than sixty (60) days after Customer's request. The services to be performed during the PM Service are set forth in Section 7 below.

- b. Additional Service. In addition to the PM Service, upon request from Customer, Provider shall provide Customer with such additional services for the Equipment, including emergency repair services ("Additional Service"), as set forth in Section 8 below.
- c. Technical Assistance. Provider shall provide Customer, at no additional cost, any information and technical specifications and assistance concerning the Equipment that Customer may require in connection with pursuing any governmental approvals for Customer's products, including without limitation the U.S. Food and Drug Administration.

7. Rates for Maintenance.

- a. Preventive Maintenance Service. **** per year for each TEP and up to two (2) TCUs. In addition, Provider shall be reimbursed its reasonable travel expenses, including airfare, ground transportation, hotel, and meals, and any related taxes, for each PM Service visit ("PM Service Rate").
- b. Rate for Additional Service. **** per hour at Provider's location or **** per hour at any Permanent Installation Location, plus associated travel expenses and any taxes ("Additional Rate").

8. PM Service to be Performed by Provider.

Provider agrees to provide the inspection and PM Service according to the check list and protocol developed by Provider. Price quote of replacement parts will be provided to the Customer prior to each PM Service or Additional Service. A CHARGE WILL BE MADE FOR ANY PARTS REPLACED AT AN AMOUNT EQUAL TO THE PROVIDER'S STANDARD PRICING. Labor involved in repairing damage due to Customer mishandling, or improper operation of the Equipment will be charged at Additional Rate as provided in paragraph 6(b) of this Agreement.

There is no warranty to PM by Provider. Provider warrants the replacement parts within the range of Additional Service.

9. Additional Service to be Performed by Provider.

Provider agrees to provide the following Additional Services upon receipt of a request from Customer:

- the inspection, testing and diagnostic evaluation (either on site or remotely) by the Provider;

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- any fault reporting and resolving in an item of the Equipment;
- the repair or replacement of parts;
- reinstallation of the Equipment.

Provider will promptly evaluate each Additional Service request received from Customer to determine if servicing can be addressed remotely. If on-site service is required the Provider will send a technician to the Customer within fourteen (14) days of requesting the on-site service.

A price quote for replacement parts will be provided to the Customer prior to this service. A CHARGE WILL BE MADE FOR ANY PARTS REPLACED AT AN AMOUNT EQUAL TO THE PROVIDER'S STANDARD PRICING.

Provider warrants that the repairs will remain in good working order and repair for a period of twelve (12) months following the repair.

10. Payment Terms. Provider shall invoice Customer for each PM Service and Additional Service separately. Customer's payment shall be due net thirty (30) days from the invoice date. Upon request of Customer, Provider shall provide reasonable supporting documentation with respect to any invoice issued to Customer.
11. Renewal. Unless terminated by either party as set forth below, Provider shall be entitled to increase its rates for maintenance no more often than every 12 months and in any event no more than **** per annum. Provider shall give Customer no less than sixty (60) days prior notice of any rate increase and will forward to Customer the rates that will take effect in the new term.
12. Termination. Customer may terminate this Agreement at any time following thirty (30) days written notice. Provider shall have no right to terminate this Agreement except in the case of (i) Customer's breach of its obligations hereunder to Provider after thirty (30) days' notice to Customer and Customer's failure to cure such breach within such time period, (ii) Customer's bankruptcy, insolvency, or assignment for the benefit of creditors, or (iii) Customer's sale or cessation of business operations.
13. Warranty. Provider warrants that it shall have and maintain sufficient resources, facilities, capacity and manpower to assure that the services under this Agreement are diligently performed in accordance with the terms and conditions of this Agreement in a timely, skillful, professional, workmanlike and competent manner, by qualified persons familiar with the Equipment and fully trained to service the Equipment, and that the services provided shall conform to or exceed the standards generally observed in the industry for similar services. Notwithstanding the foregoing, Provider does not guaranty that damaged or worn Equipment will be successfully repaired or that all unique replacement parts for the Equipment will be readily available.
14. Notices. All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered by hand, by facsimile transmission, by electronic mail, by registered or certified mail, postage pre-paid, or by courier or

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overnight carrier, to the applicable party at the addresses set forth above (or at such other address as may be provided hereunder), and shall be deemed to have been delivered (a) on the date of delivery if delivered personally, or by telecopy, facsimile or electronic mail, upon confirmation of receipt of delivery, (b) on the second business day following the date of dispatch if delivered by a nationally recognized next-day courier service, or (c) on the fifth business day following the date of mailing if delivered by registered or certified mail return receipt requested, postage prepaid.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the Commonwealth of Massachusetts, without regard to principles of conflicts of law.
16. Amendment. No amendment of any provision of this Agreement shall be effective unless the same shall be in writing and signed by the Customer and the Provider.
17. No Waiver. The waiver or failure of either party to exercise any right provided for herein shall not be deemed a waiver of any further right hereunder.
18. Relationship of Parties. The performance by Provider of its duties and obligations under this Agreement shall be that of an independent contractor, and nothing herein shall create or imply an agency relationship between Provider and Customer, nor shall this Agreement be deemed to constitute a joint venture or partnership between the parties. Personnel supplied by Provider shall not be considered employees or agents of Customer for any purpose. Provider assumes full responsibility for the acts of such personnel while performing the Services and shall be solely responsible for such personnel's supervision, direction and control, compensation, benefits and taxes.
19. Severability. The invalidity or unenforceability of any one or more phrases, sentences, clauses, paragraphs, or sections contained in this Agreement shall not affect the validity or enforceability of the remaining portions of this Agreement hereof.
20. Successors and Assigns. This Agreement shall apply in all respects to successors and permitted assigns of Provider and inure to the Customer and its successors and permitted assigns. This Agreement shall not be assignable either in whole or in part by either of the parties without a prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed.
21. Entire Agreement. This Agreement contains the entire agreement of the Customer and Provider with respect to the matters set forth herein.
22. Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party. Facsimile transmission of any signed original document shall be deemed the same as delivery of an original.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representatives:

CONFIDENTIAL TREATMENT REQUESTED

Authorized Representative for **Provider**

Authorized Representative for **Customer**

PURPOSE CO., LTD.

HISTOGENICS CORPORATION

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A

Equipment List

	<u>Equipment Description</u>	<u>Serial Number</u>	<u>Histogenics Equipment Number</u>
1	TEP-P02	TEP-P02-07	EQ-115
2	TEP-P02	TEP-P02-08	EQ-116
3	TEP-P02	TEP-P02-09	EQ-117
4	TEP-P02	TEP-P02-10	EQ-118
5	TEP-P02	TEP-P02-11	EQ-290
6	TEP-P02	TEP-P02-12	EQ-194
7	TEP-P02	TEP-P02-13	EQ-195
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CONFIDENTIAL TREATMENT REQUESTED

S98-181:RAS
 Patent, Exclusive
 March 28, 2001

EXCLUSIVE AGREEMENT

Effective as of April 15, 2001 ("Effective Date"), THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY, a body having corporate powers under the laws of the State of California ("STANFORD"), and Histogenics Corporation, a Massachusetts corporation having a principal place of business at 116 Pleasant Street, Suite 19, Easthampton, Massachusetts, 01027 ("LICENSEE"), agree as follows:

1. BACKGROUND

- 1.1 STANFORD has an assignment of "Restoration of Articular Cartilage Matrix" from the laboratory of R. Lane Smith ("Invention[s]"), as described in Stanford Docket S98-181, and any Licensed Patent(s), as hereinafter defined, which may issue to such Invention(s).
- 1.2 STANFORD has certain technical data and information as herein defined ("Technology") pertaining to Invention(s).
- 1.3 STANFORD desires to have the Technology and Invention(s) perfected and marketed at the earliest possible time in order that products resulting therefrom may be available for public use and benefit.
- 1.4 LICENSEE desires a license under said Technology, Invention(s), and Licensed Patent(s) to develop, manufacture, use, and sell Licensed Product(s) in the field of use of growth and regeneration of cartilage.
- 1.5 The Technology and Invention(s) were made in the course of research supported by ****.

2. DEFINITIONS

- 2.1 "Continuations-in-Part" means all continuation-in-part patent applications that are filed within two years of the original application and only to the extent that they cover technology disclosed, claimed in and dominated by the original application. The continuations-in-part also do not include continuations-in-part that have different named inventors than the original application or that are burdened by, for example, sponsored research or any other collaboration between STANFORD and a third party.
- 2.2 "Licensed Patent(s)" means any Letters Patent issued upon STANFORD's U.S. Patent Application, Serial Number ****, filed ****, and/or any divisions, continuations, Continuations-in-Part, or reissue thereof.
- 2.3 "Licensed Product(s)" means any product or part thereof in the Licensed Field of Use, the manufacture, use, or sale of which:
 - (a) Is covered by a valid claim of an issued, unexpired Licensed Patent(s) directed to the Invention(s). A claim of an issued, unexpired Licensed Patent(s) shall be presumed to be valid unless and until it has been held to be invalid by a final judgment of a court of competent jurisdiction from which no appeal can be or is taken; or
 - (b) Is covered by any claim being prosecuted in a pending application directed to the Invention(s).
- 2.4 "Net Sales" means the gross revenue derived by LICENSEE and/or sublicensee(s) from Licensed Product(s), whether or not assembled (and without excluding therefrom any components or subassemblies thereof, whatever their origin and whether or not patent impacted), less the following items but only

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insofar as they actually pertain to the disposition of such Licensed Product(s) by LICENSEE or sublicensee(s), are included in such gross revenue, and are separately billed:

- (a) Import, export, excise and sales taxes, and custom duties;
- (b) Costs of insurance, packing, and transportation from the place of manufacture to the customer's premises or point of installation;
- (c) Costs of installation at the place of use; and
- (d) Credit for returns, allowances, or trades.

2.5 "Licensed Field of Use" means the growth, ontogenesis, and regeneration of cartilaginous tissues (including articular, costal, auricular, meniscoid, and nasal cartilage), collagen, ligaments and tendons.

2.6 "Licensed Territory" means worldwide.

2.7 "Exclusive" means that, subject to Article 4, STANFORD shall not grant further licenses in the Licensed Territory in the Licensed Field of Use.

3. GRANT

3.1 STANFORD hereby grants and LICENSEE hereby accepts a license in the Licensed Field of Use to make, have made, use, have sold, offer to sell, sell, and import (but only to the extent that is consistent with Article 4 herein) Licensed Product(s) in the Licensed Territory.

3.2 Said license is Exclusive, including the right to sublicense pursuant to Article 13, in the Licensed Field of Use for a term commencing as of the Effective Date and ending on the first to occur of the following:

- (a) ****; or
- (b) ****;

3.3 STANFORD and VA Palo Alto Health Care System shall have the right to practice the Invention(s) and use the Technology for its own bona fide research, including sponsored research and collaborations. STANFORD shall have the right to publish any information included in Technology and Licensed Patent(s).

4. GOVERNMENT RIGHTS

This Agreement is subject to all of the terms and conditions of Title 35 United States Code Sections 200 through 204, including an obligation that Licensed Product(s) sold or produced in the United States be "manufactured substantially in the United States," and LICENSEE agrees to take all reasonable action necessary on its part as licensee to enable STANFORD to satisfy its obligation thereunder, relating to Invention(s).

5. DILIGENCE

5.1 As an inducement to STANFORD to enter into this Agreement, LICENSEE agrees to use all reasonable efforts and diligence to proceed with the development, manufacture, and sale or lease of Licensed Product(s) and to diligently develop markets for the Licensed

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Product(s). Unless LICENSEE has fulfilled the obligations outlined in Appendix A, STANFORD may terminate this Agreement or portions of this Agreement as described therein.

- 5.2 Progress Report - On or before April 15 of each year until LICENSEE markets a Licensed Product(s), LICENSEE shall make a written annual report to STANFORD covering the preceding year ending March 31, regarding the progress of LICENSEE toward commercial use of Licensed Product(s). Such report shall include, as a minimum, information sufficient to enable STANFORD to satisfy reporting requirements of the U.S. Government and for STANFORD to ascertain progress by LICENSEE toward meeting the diligence requirements of this Article 5.

6. ROYALTIES

- 6.1 LICENSEE agrees to pay to STANFORD a noncreditable, nonrefundable license issue royalty of Thirty Thousand Dollars (\$30,000) upon signing this Agreement.

- 6.2 By May 1, 2001, LICENSEE shall pay STANFORD Seven-Thousand Five-Hundred Dollars (\$7,500) as partial reimbursement for costs incurred by STANFORD in connection with the preparation, filing and prosecution of patent applications and maintenance of patents corresponding to the Invention(s) before the Effective Date.

- 6.3 Beginning April 15, 2002 and each April 15 thereafter, LICENSEE also shall pay to STANFORD a yearly royalty of Ten Thousand Dollars (\$10,000). Said yearly royalty payments are nonrefundable, but they are creditable against earned royalties to the extent provided in Section 6.5.

- 6.4 In addition, LICENSEE shall pay STANFORD earned royalties on Net Sales as follows:

**** of Net Sales.

- 6.5 Creditable payments under this Agreement shall be an offset to LICENSEE against up to **** of each earned royalty payment which LICENSEE would be required to pay pursuant to Section 6.4 until the entire credit is exhausted.

- 6.6 LICENSEE shall also pay STANFORD the following development milestone payments:

- (a) \$35,000 (Thirty-Five Thousand Dollars) upon issuance of first Licensed Patent;
- (b) \$50,000 (Fifty-Thousand Dollars) upon initiation of Phase I clinical trials of the first Licensed Product in each field that requires separate FDA clinical approval (or similar foreign clinical approval). By way of example but not by limitation, if separate FDA trials are required for Licensed Product(s) in "cartilage" and "tendons" then this milestone would be triggered upon initiation of each respective FDA clinical trial;
- (c) ****; and

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(d) ****.

- 6.7 If this Agreement is not terminated in accordance with other provisions hereof, LICENSEE shall be obligated to pay royalties hereunder until the latter of:
- (a) Seven (7) years, if no Licensed Patent(s) issues; or
 - (b) For so long as LICENSEE, by its activities would, but for the license granted herein, infringe a valid claim of an unexpired Licensed Patent(s) of STANFORD covering said activity. LICENSEE shall be obligated to pay royalties on all Licensed Product(s) that are either sold or produced under the license granted in Article 3, regardless of whether such Licensed Product(s) are produced prior to the Effective Date of this Agreement or sold after the expiration of the Licensed Patent(s).
- 6.8 The royalty on sales in currencies other than U.S. Dollars shall be calculated using the appropriate foreign exchange rate for such currency quoted by the Bank of America (San Francisco) foreign exchange desk, on the close of business on the last banking day of each calendar quarter. Royalty payments to STANFORD shall be in U.S. Dollars. All non-U.S. taxes related to royalty payments shall be paid by LICENSEE and are not deductible from the payments due STANFORD.
- 6.9 STANFORD and LICENSEE shall cooperate in matters relating to patent preparation, filing and prosecution under this Agreement. Within thirty (30) days after receipt of a statement from STANFORD, LICENSEE shall reimburse STANFORD for all costs incurred by Stanford in connection with the preparation, filing and prosecution of all patent applications and maintenance of patents corresponding to the Invention(s) after the Effective Date. However, in cases where LICENSEE requests in writing sixty (60) days prior to such following decision that STANFORD not pursue such following action, LICENSEE does not assume financial or other responsibility for:
- (a) the filing or prosecution of any appeal from a final or second rejection by an examiner of the Patent Office of any patent applications corresponding to the Invention(s), be it an appeal at the Patent Office or in federal court;
 - (b) the conduct of any interference in which the application or applications may become involved; and
 - (c) any foreign applications.

In such cases, STANFORD may at its independent option and expense pursue such rights.

7. ROYALTY REPORTS, PAYMENTS, AND ACCOUNTING

- 7.1 Quarterly Earned Royalty Payment and Report - Beginning with the first sale of a Licensed Product(s), LICENSEE shall make written reports (even if there are no sales) and earned royalty payments to STANFORD within **** after the end of each calendar quarter. This report shall be in the form of the report of Appendix A and shall state the number, description, and aggregate Net Sales of Licensed Product(s) during such completed calendar quarter, and resulting calculation pursuant to Section 6.4 of earned royalty payment due STANFORD for such completed calendar quarter. Concurrent with

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the making of each such report, LICENSEE shall include payment due STANFORD of royalties for the calendar quarter covered by such report.

- 7.2 LICENSEE also agrees to make a written report to STANFORD within ninety (90) days after the expiration of the license pursuant to Section 3.2. LICENSEE shall continue to make reports pursuant to the provisions of this Section 7.2 concerning royalties payable in accordance with Article 6 in connection with the sale of Licensed Product(s) after expiration of the license, until such time as all such Licensed Product(s) produced under the license have been sold or destroyed. Concurrent with the submittal of each post-termination report, LICENSEE shall pay STANFORD all applicable royalties.
- 7.3 Accounting - LICENSEE agrees to keep and maintain records for a period of **** showing the manufacture, sale, use, and other disposition of products sold or otherwise disposed of under the license herein granted. Such records will include general ledger records showing cash receipts and expenses, and records which include production records, customers, serial numbers, and related information in sufficient detail to enable the royalties payable hereunder by LICENSEE to be determined. LICENSEE further agrees to permit its books and records to be examined by STANFORD from time to time to the extent necessary to verify reports provided for in Section 7.1 and 7.2. Such examination is to be made by STANFORD or its designee, at the expense of STANFORD, except in the event that the results of the audit reveal an underreporting of royalties due STANFORD of **** or more, then the audit costs shall be paid by LICENSEE.
- 7.4 LICENSEE agrees to ****. The audit shall address, at a minimum, the amount of gross sales by or on behalf of LICENSEE during the audit period, the amount of funds owed to STANFORD under this Agreement, and whether the amount owed has been paid to STANFORD and is reflected in the records of the LICENSEE. ****.

8. WARRANTIES

8.1 STANFORD represents to LICENSEE that:

- (a) as of the Effective Date, Stanford's Office of Technology Licensing does not know of any actual or threatened suits against STANFORD by any third parties based on allegations that the licensing and use of the Licensed Patents violates or infringes any patent, trademark, copyright, trade secret, or other intellectual property right of said third parties;
- (b) as of the Effective Date and to the knowledge of Stanford's Office of Technology Licensing, the terms of this Agreement and the licenses granted to LICENSEE hereunder do not violate the terms or provisions of any agreement entered into by STANFORD with any third parties;
- (c) that STANFORD has the right to grant the license(s) to LICENSEE hereunder; and
- (d) that the Invention(s) and Licensed Patents were not fraudulently obtained; and

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STANFORD's liability to LICENSEE in the event any of these representation are breached shall not exceed the amounts paid by LICENSEE to STANFORD hereunder.

8.2 Nothing in this Agreement is or shall be construed as:

- (a) A warranty or representation by STANFORD as to the validity or scope of any Licensed Patent(s);
- (b) A warranty or representation that anything made, used, sold, or otherwise disposed of under any license granted in this Agreement is or will be free from infringement of patents, copyrights, and other rights of third parties;
- (c) An obligation to bring or prosecute actions or suits against third parties for infringement, except to the extent and in the circumstances described in Article 12;
- (d) Granting by implication, estoppel, or otherwise any licenses or rights under patents or other rights of STANFORD or other persons other than Licensed Patent(s), regardless of whether such patents or other rights are dominant or subordinate to any Licensed Patent(s); or
- (e) An obligation to furnish any technology or technological information other than the Technology.

8.3 Except as expressly set forth in this Agreement, STANFORD MAKES NO REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR THAT THE USE OF THE LICENSED PRODUCT(S) WILL NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER RIGHTS OR ANY OTHER EXPRESS OR IMPLIED WARRANTIES.

8.4 LICENSEE agrees that nothing in this Agreement grants LICENSEE any express or implied license or right under or to U.S. Patent 4,656,134 'Amplification of Eucaryotic Genes' or any patent application corresponding thereto."

9. INDEMNITY

- 9.1 LICENSEE agrees to indemnify, hold harmless, and defend STANFORD, Stanford Hospitals and Clinics, and their respective trustees, officers, employees, students, and agents against any and all claims for death, illness, personal injury, property damage, and improper business practices arising out of the manufacture, use, sale, or other disposition of Invention(s), Licensed Patent(s), Licensed Product(s), or Technology by LICENSEE or sublicensee(s), or their customers.
- 9.2 STANFORD shall not be liable for any indirect, special, consequential or other damages whatsoever, whether grounded in tort (including negligence), strict liability, contract or otherwise. STANFORD shall not have any responsibilities or liabilities whatsoever with respect to Licensed Products(s).
- 9.3 LICENSEE shall at all times comply, through insurance or self-insurance, with all statutory workers' compensation and employers' liability requirements covering any and all employees with respect to activities performed under this Agreement.

9.4 In addition to the foregoing, LICENSEE shall maintain, at least as soon as Phase I clinical trials for any Licensed Products are commenced, and continuing on through the term of this Agreement, Comprehensive General Liability Insurance, including Products Liability Insurance, with reputable and financially secure insurance carrier(s) to cover the activities of LICENSEE and its sublicensee(s). Such insurance shall provide minimum limits of liability of \$5 Million and shall include STANFORD, Stanford Hospitals and Clinics, their trustees, directors, officers, employees, students, and agents as additional insureds. Such insurance shall be written to cover claims incurred, discovered, manifested, or made during or after the expiration of this Agreement and should be placed with carriers with ratings of at least A- as rated by A.M. Best. Before any Phase I clinical trials for any Licensed Products are commenced, LICENSEE shall furnish a Certificate of Insurance evidencing primary coverage and additional insured requirements and requiring thirty (30) days prior written notice of cancellation or material change to STANFORD. LICENSEE shall advise STANFORD, in writing, that it maintains excess liability coverage (following form) over primary insurance for at least the minimum limits set forth above. All such insurance of LICENSEE shall be primary coverage; insurance of STANFORD and Stanford Hospitals and Clinics shall be excess and noncontributory.

10. MARKING

Prior to the issuance of patents on the Invention(s), LICENSEE agrees to mark Licensed Products (or their containers or labels) made, sold, or otherwise disposed of by it under the license granted in this Agreement with the words "Patent Pending," and following the issuance of one or more patents, with the numbers of the Licensed Patent(s).

11. STANFORD NAMES AND MARKS

LICENSEE agrees not to identify STANFORD in any promotional advertising or other promotional materials to be disseminated to the public or any portion thereof or to use the name of any STANFORD faculty member, employee, or student or any trademark, service mark, trade name, or symbol of STANFORD, Stanford Hospitals and Clinics, or that is associated with any of them, without STANFORD's prior written consent. Any use of STANFORD's name shall be limited to statements of fact and shall not imply endorsement of LICENSEE's products or services.

12. INFRINGEMENT BY OTHERS: PROTECTION OF PATENTS

12.1 LICENSEE shall promptly inform STANFORD of any suspected infringement of any Licensed Patent(s) by a third party. During the Exclusive period of this Agreement, STANFORD and LICENSEE each shall have the right to institute an action for infringement of the Licensed Patent(s) against such third party in accordance with the following:

- (a) If STANFORD and LICENSEE agree to institute suit jointly, the suit shall be brought in both their names, the out-of-pocket costs thereof shall be borne equally, and any recovery or settlement shall be shared equally. LICENSEE and STANFORD shall agree to the manner in which they shall exercise control over such action. STANFORD may, if it so desires,

also be represented by separate counsel of its own selection, the fees for which counsel shall be paid by STANFORD;

- (b) In the absence of agreement to institute a suit jointly, **** may institute suit, and, at its option, join **** as a plaintiff. If **** decides to institute suit, then it shall notify **** in writing. **** failure to notify **** in writing, within fifteen (15) days after the date of the notice, that it will join in enforcing the patent pursuant to the provisions hereof, shall be and be deemed conclusively to be **** assignment to **** of all rights, causes of action, and damages resulting from any such alleged infringement. **** shall bear the entire cost of such litigation and shall be entitled to retain the entire amount of any recovery or settlement; and
- (c) In the absence of agreement to institute a suit jointly and if **** notifies **** that it has decided not to join in or institute a suit, as provided in (a) or (b) above, **** may institute suit. **** shall bear the entire cost of such litigation, including expenses incurred by ****. Any recovery in excess of litigation costs will be shared with **** as follows:
 - 1. ****;
 - 2. ****.

LICENSEE and STANFORD agree to negotiate in good faith an appropriate compensation to **** for any non-cash settlement or non-cash cross-license. **** will not share in the portion of the recovery, if any, that is payment for ****

12.2 Should either STANFORD or LICENSEE commence a suit under the provisions of Section 12.1 and thereafter elect to abandon the same, it shall give timely notice to the other party who may, if it so desires, continue prosecution of such suit, provided, however, that the sharing of expenses and any recovery in such suit shall be as agreed upon between STANFORD and LICENSEE.

13. SUBLICENSE(S)

13.1 LICENSEE may grant sublicense(s) during the Exclusive period.

13.2 If LICENSEE is unable or unwilling to serve or develop a potential market or market territory for which there is a willing sublicensee(s), ****.

13.3 Any sublicense(s) granted by LICENSEE under this Agreement shall be subject and subordinate to terms and conditions of this Agreement, except:

- (a) Sublicense terms and conditions shall reflect that any sublicensee(s) shall not further sublicense; and
- (b) The earned royalty rate specified in the sublicense(s) may be at higher rates than the rates in this Agreement.

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Any such sublicense(s) also shall expressly include the provisions of Articles 7, 8, and 9 for the benefit of STANFORD and provide for the transfer of all obligations, including the payment of royalties specified in such sublicense(s), to STANFORD or its designee, in the event that this Agreement is terminated.

13.4 LICENSEE agrees to provide STANFORD a copy of any sublicense granted pursuant to this Article 13. Stanford's Office of Technology Licensing will keep such sublicense(s) confidential to the same degree it keeps its own licenses confidential and will only disclose detailed matter contained in such sublicense(s) under a confidential disclosure agreement(s) and on a need to know basis.

13.5 ****.

13.6 ****.

14. TERMINATION

14.1 LICENSEE may terminate this Agreement by giving STANFORD notice in writing at least thirty (30) days in advance of the effective date of termination selected by LICENSEE.

14.2 STANFORD may terminate this Agreement if LICENSEE:

- (a) Is in default in payment of royalty or providing of reports;
- (b) Is in breach of any provision hereof; or
- (c) Provides any false report;

and LICENSEE fails to remedy any such default, breach, or false report within thirty (30) days after written notice thereof by STANFORD.

14.3 Surviving any termination or expiration are:

- (a) LICENSEE's obligation to pay royalties accrued or accruable;
- (b) Any cause of action or claim of LICENSEE or STANFORD, accrued or to accrue, because of any breach or default by the other party; and
- (c) The provisions of Section 6.7(b), Articles 7, 8, and 9 and any other provisions that by their nature are intended to survive.

15. ASSIGNMENT

This Agreement may not be assigned except that LICENSEE may assign this Agreement and the rights and obligations arising hereunder to another acquiring substantially all of its business and assets.

16. ARBITRATION

16.1 Any controversy arising under or related to this Agreement, and any disputed claim by either party against the other under this Agreement excluding any dispute relating to patent validity or infringement arising under this Agreement, shall be settled by arbitration in accordance with the Licensing Agreement Arbitration Rules of the American Arbitration Association.

16.2 Upon request by either party, arbitration will be by a third party arbitrator mutually agreed upon in writing by LICENSEE and STANFORD within thirty (30) days of such

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arbitration request. Judgement upon the award rendered by the arbitrator shall be final and nonappealable and may be entered in any court having jurisdiction thereof.

- 16.3 The parties shall be entitled to discovery in like manner as if the arbitration were a civil suit in the California Superior Court. The Arbitrator may limit the scope, time and/or issues involved in discovery.
- 16.4 Any arbitration shall be held at Stanford, California, unless the parties hereto mutually agree in writing to another place.
- 16.5 The prevailing party shall be entitled to receive from the other party reasonable attorney's fees and costs incurred in the arbitration and/or related thereto.

17. NOTICES

All notices under this Agreement shall be deemed to have been fully given when done in writing and deposited in the United States mail, registered or certified, and addressed as follows:

To STANFORD:	Office of Technology Licensing Stanford University 900 Welch Road, Suite 350 Palo Alto, CA 94304-1850 Attention: Director
To LICENSEE:	Dr. Laurence J. Berlowitz-Tarrant President Histogenics Corporation 116 Pleasant Street, Suite 19 Easthampton, MA 01027

Either party may change its address upon written notice to the other party.

18. WAIVER

None of the terms of this Agreement can be waived except by the written consent of the party waiving compliance.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate originals by their duly authorized officers or representatives.

APPENDIX A

Diligence:

STANFORD may terminate the whole of this Agreement if LICENSEE or a sublicensee(s) has not sold Licensed Product(s) for a contiguous period of one (1) year after first commercial sale of Licensed Product(s).

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THE BOARD OF TRUSTEES OF THE LELAND
STANFORD OR UNIVERSITY

Signature /s/ Katharine Ku
Name Katharine Ku
Title Director Technology Licensing
Date April 18, 2001

LICENSEE

Signature /s/ Laurence J. Berlowitz-Tarrant
Name Dr. Laurence J. Berlowitz-Tarrant
Title President
Date _____

FIRST AMENDMENT
TO
EXCLUSIVE AGREEMENT

This First Amendment, effective as of October 26, 2005, by and between the Board of Trustees of the Leland Stanford Junior University, a body having corporate powers under the laws of the State of California ("Stanford"), and Histogenics Corporation, a Massachusetts corporation ("Histogenics"), serves to amend the Exclusive Agreement between Stanford and Licensee, titled "Restoration of Articular Cartilage Matrix" dated April 15, 2001 and described in Stanford docket S98-181 (the "Agreement"). Stanford and Histogenics agree as follows:

1. Stanford and Histogenics acknowledge and agree that the Agreement, as amended, is valid and in good standing as of the Effective Date of this amendment.
2. Agreement to Agree. Stanford and Histogenics acknowledge and agree that (i) Stanford desires to establish new diligence requirements for Histogenics, similar to those previously provided for in Section 5.1 of the Agreement and Histogenics agrees that Histogenics must agree to amend section 5.1 within 3 (Three) months of the effective date of this amendment.
3. Histogenics desires to amend various terms of the Agreement including those related to the Agreement's term and royalty requirements. The parties agree to negotiate in good faith during the next 180 days to reach agreement on a further amendment to the Agreement to accomplish the foregoing.

IN WITNESS WHEREOF, the parties have executed this First Amendment in duplicate originals by their duly authorized officers or representatives.

The Board of Trustees of the Leland Stanford Junior
University

Signature: /s/ Katharine Ku

Name: Katharine Ku

Title: Director Technology Licensing

Date: Nov 1, 2005

Histogenics Corporation

Signature: /s/ Laurence J.B. Tarrant

Name: Laurence J.B. Tarrant

Title: President

Date: 26 October 2005

CONFIDENTIAL TREATMENT REQUESTED**SECOND AMENDMENT
TO
EXCLUSIVE AGREEMENT**

This Second Amendment, effective as of January 15, 2006, by and between the Board of Trustees of the Leland Stanford Junior University, a body having corporate powers under the laws of the State of California ("Stanford"), and Histogenics Corporation, a Massachusetts corporation ("Histogenics"), serves to amend the April 15, 2001 agreement between Stanford and Licensee as follows:

1. BACKGROUND

- 1.1 Stanford and Histogenics Corporation are parties to an Exclusive License Agreement effective April 15, 2001 covering "Restoration of Articular Cartilage Matrix" disclosed in Stanford Docket S98-181 ("Agreement").
- 1.2 Stanford and Histogenics have agreed to amend the Agreement with respect to the following provisions:
 - (a) term of license;
 - (b) royalties;
 - (c) creditable payments;
 - (d) milestone payments;
 - (e) assignment; and
 - (f) schedule of diligence milestones.
- 1.3 As a consequence, the parties are entering into this Second Amendment ("Amendment") in order to effectuate the parties' mutual agreement as to these matters.

2. AMENDMENT

- 2.1 **Term of License** Section 3.2 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Said license is Exclusive, including the right to sublicense pursuant to Article 13, in the Licensed Field of Use for a term commencing on the Effective Date and ending on the date of the last to expire of the Licensed Patents."
- 2.2 **Royalties** The royalty rate referenced in Section 6.4 of the Agreement is hereby amended from **** of Net Sales to **** of Net Sales.
- 2.3 **Creditable Payments** Section 6.5 of the Agreement is amended as follows:

"Yearly maintenance payments are nonrefundable, but they are creditable each year as follows:

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CONFIDENTIAL TREATMENT REQUESTED

The license maintenance fee for a year may be offset against earned royalty payments due on Net Sales occurring in that year.

For example:

if Licensee pays Stanford a \$10 maintenance payment for year Y, \$15 in earned royalties are due Stanford for Net Sales in year Y, Licensee will only need to pay Stanford an additional \$5 for that year's earned royalties.

if Licensee pays Stanford a \$10 maintenance payment for year Y, \$3 in earned royalties are due Stanford for Net Sales in year Y, Licensee will not need to pay Stanford any earned royalty payment for that year. Licensee will not be able to offset the remaining \$7 against a future year's earned royalties."

- 2.4 **Milestone Payments** Sections 6.6 (c) and (d) of the Agreement are hereby deleted in their entirety and replaced with the following new Section 6.6(c):

"(c) \$300,000 (Three Hundred Thousand Dollars) upon FDA marketing approval of the first Licensed Product."

- 2.5 **Assignment** Section 15 of the Agreement is deleted in its entirety, and replaced with the following:

"15.1 Permitted Assignment by Licensee Subject to the conditions described below, Licensee may assign this Agreement as part of a sale, regardless of whether such a sale occurs through an asset sale, stock sale, merger or other combination, or any other transfer of:

Licensee's entire business; or

that part of Licensee's business that exercises all rights granted under this Agreement."

15.2 Any Other Assignment by Licensee Any other attempt to assign this Agreement by Licensee is null and void. Notwithstanding the foregoing, any assignment or deemed assignment of this Agreement as a result of a merger or transfer in connection with a mere reincorporation of Licensee in order to change its state of incorporation or domicile shall not be deemed a violation of this Agreement and is expressly permitted.

15.3 Conditions of Assignment Prior to any assignment, the following conditions must be met:

Licensee must give Stanford **** prior written notice of the assignment, including the new assignee's contact information; and

the new assignee must agree in writing to Stanford to be bound by this Agreement; and

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CONFIDENTIAL TREATMENT REQUESTED

****.

15.4 After the Assignment Upon a permitted assignment of this Agreement pursuant to this Section 15, Histogenics will be released of liability under this Agreement and the term “Licensee” in this Agreement will mean the assignee.

It is understood and agreed that the payment provisions and the limitations on assignment contained in Section 15 shall only apply to Histogenics and that once this provision has been complied with, such payment provisions and limitations on assignment shall not apply to any subsequent assignment by any assignee of Histogenics or its assignees.”

2.6 **Diligence Requirements** Appendix A of the Agreement is hereby deleted in its entirety and amended as follows:

“****

**** CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CONFIDENTIAL TREATMENT REQUESTED

Stanford may terminate this Agreement if Histogenics or a sublicensee(s) has not sold Licensed Products(s) for a continuous period of one (1) year after first commercial sale of Licensed Product(s).”

3. MISCELANEOUS

- 3.1 Stanford and Histogenics acknowledge and agree that the Agreement, as amended, is valid and in good standing as of the Effective Date of this Amendment.
- 3.2 Except as amended hereby, all other provisions of the Agreement remain in full force and effect.
- 3.3 The parties to this Amendment agree that a copy of the original signature (including an electronic copy) may be used for any and all purposes for which the original signature may have been used. The parties further waive any right to challenge the admissibility or authenticity of this document in a court of law based solely on the absence of an original signature.

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CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties have executed this Amendment in duplicate originals by their duly authorized officers or representatives.

THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY

Signature: /s/ Katharine Ku
Name: Katharine Ku
Title: Director Technology Licensing
Date: June 1, 2006

HISTOGENICS CORPORATION

Signature: /s/ Laurence J.B. Tarrant
Name: Laurence J.B. Tarrant
Title: President
Date: May 31, 2006

CONFIDENTIAL TREATMENT REQUESTED

AMENDMENT NO. 3

TO THE

LICENSE AGREEMENT EFFECTIVE 04/15/2001

BETWEEN

STANFORD UNIVERSITY

AND

HISTOGENICS CORPORATION

Effective as of May 1, 2009, THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY ("Stanford"), an institution of higher education having powers under the laws of the State of California, and Histogenics Corporation a Delaware company having a primary place of business at 830 Winter Street, Waltham MA 02451, agree as follows:

1. BACKGROUND

Stanford and Histogenics are parties to a License Agreement effective April 15, 2001 ("Original Agreement") covering Restoration of Articular Cartilage Matrix disclosed in Stanford Docket S98-181.

Stanford and Histogenics wish to amend the Original Agreement to change the date in section 2.6(A) ****.

2. AMENDMENT

Section 2.6(A) of the Second Amendment dated January 15, 2006 shall be amended as follows:

Replace the third bullet under Section 2.6(A) to read as follows: ****

3. OTHER TERMS

3.1 All other terms of the Original Agreement, First and Second amendments remain in full force and effect.

3.2 The parties to this document agree that a copy of the original signature (including an electronic copy) may be used for any and all purposes for which the original signature may have been used. The parties further waive any right to challenge the admissibility or authenticity of this

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CONFIDENTIAL TREATMENT REQUESTED

document in a court of law based solely on the absence of an original signature.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 3 in duplicate originals by their duly authorized officers or representatives.

THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY

Signature: /s/ Katharine Ku

Name: Katharine Ku

Title: Director Technology Licensing

Date: May 8, 2009

Histogenics Corporation

Signature: /s/ F. Ken Andrew

Name: F. Ken Andrew

Title: CEO & President

Date: May 6, 2009

AMENDMENT NO. 4**TO THE LICENSE AGREEMENT EFFECTIVE 04/15/2001****BETWEEN****STANFORD UNIVERSITY****AND HISTOGENICS CORPORATION**

Effective as of April 29, 2010, THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY ("Stanford"), an institution of higher education having powers under the laws of the State of California, and Histogenics Corporation, a Delaware corporation having its principal offices at 830 Winter Street, 3rd Floor, Waltham, MA 02451 ("Histogenics") agrees as follows:

1. BACKGROUND

Stanford and Histogenics are parties to an Exclusive Agreement effective as of April 15, 2001 (the "Original Agreement"), as amended by the First Amendment to Exclusive Agreement effective as of October 26, 2005 ("Amendment No. 1"), Second Amendment to Exclusive Agreement effective as of January 15, 2006 ("Amendment No. 2"), and Amendment No. 3 to the License Agreement effective as of May 1, 2009 ("Amendment No. 3 and together with the Original Agreement, Amendment No. 1 and Amendment No. 2, the "License Agreement"). The License Agreement covers Restoration of Articular Cartilage Matrix disclosed in Stanford Docket S98-181. Stanford and Histogenics wish to amend the License Agreement to change the date by when Histogenics will have certain products available for commercial sale.

2. AMENDMENT

The third bullet in Section 2.6(A) of Amendment No. 2 is amended to read as follows:

- Histogenics will have Licensed Products available for commercial sale no later than December 31, 2015

3. NO OTHER CHANGES

Except as set forth in this Amendment No. 4, the License Agreement remains in full force and effect and is hereby ratified and confirmed. In the event of any conflict between the terms of this Amendment No. 4 and the terms of the License Agreement, the terms of this Amendment No. 4 shall control.

4. EXECUTION IN COUNTERPARTS

This Amendment No. 4 may be executed in one or more counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. The parties agree that a copy of the original signature (including an electronic copy) may be used for any and all purposes for which the

original signature may have been used. The parties further waive any right to challenge the admissibility of authenticity of this document in a court of law based solely on the absence of an original signature.

5. ENTIRE AGREEMENT

The License Agreement, as modified by this Amendment, represents the entire agreement between Stanford and Histogenics relating to the subject matter hereof and merges and supersedes all prior and contemporaneous discussions, agreements and understandings of every nature relating to the subject matter of the License Agreement.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 4 in duplicate originals by their duly authorized officers or representatives.

THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY

Signature: /s/ Katharine Ku
Name: Katharine Ku
Title: Director Technology Licensing
Date: April 29, 2010

HISTOGENICS CORPORATION

Signature: /s/ F. Ken Andrew
Name: F. Ken Andrews
Title: CEO & President
Date: 4-29-10

CONFIDENTIAL TREATMENT REQUESTED

LICENCE AGREEMENT

Between

YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED

a company duly registered under the laws of Israel of
P O Box 95, Rehovot 76100, Israel

(hereinafter, "**Yeda**")

and

PROCHON BIOTECH LTD.

a company duly registered under the laws of Israel,
having its principal place of business at 7 Golda Meir
Street, Science Park, Nes Ziona, Israel

(hereinafter, "**the Company**")**P R E A M B L E :**

WHEREAS: (A) in the course of research conducted at the Weizmann Institute of Science ("**the Institute**"), under the supervision of **** of the Institute and **** ("*****"), formerly a scientist at the Institute (and currently an employee of the Company), **** together with **** and other scientists of the Institute, all of the aforementioned persons, collectively "**the Inventors**", arrived at an invention entitled "*****" ("**the Invention**"), all as more fully described in **** and in the patent applications listed in Appendix A hereto ("**the Existing Patent Applications**") and created and/or generated the plasmid p80 BS and methods of use thereof ("the Know How"); and

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CONFIDENTIAL TREATMENT REQUESTED

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- (B) by operation of Israeli law and/or under the terms of employment of the Inventors (excluding *****) at the Institute and pursuant to an agreement between the Institute, Yeda and the Inventors (excluding *****), all the right, title and interest in and to the Licensed Information (as hereinafter defined) and the Existing Patent Applications otherwise vesting in the Inventors (excluding *****) or in the Institute, vests and shall vest in Yeda; and ***** assigned all his rights in and to the Licensed Information and the Existing Patent Applications to the Company pursuant to a deed of assignment dated June 5, 2006 accordingly, the Licensed Information and the Existing Patent Applications are owned jointly by Yeda and the Company; and
- (C) subject to and in accordance with the terms of this Agreement, the Company wishes to receive, and Yeda is willing to grant to the Company, a worldwide, royalty-bearing exclusive licence in respect of Yeda's rights in and to the Licensed Information and under the Joint Patents (as hereinafter defined), for the development, manufacture, production, marketing and sale of Licensed Products (as hereinafter defined), all subject to and in accordance with the terms and conditions of this Agreement below,

NOW THEREFORE IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. PREAMBLE, APPENDICES AND INTERPRETATION

1.1 The Preamble and Appendices hereto form an integral part of this Agreement.

1.2 In this Agreement the terms below shall bear the meanings assigned to them below, unless the context shall indicate a contrary intention:

- 1.2.1 **"Affiliated Entity"** - shall mean, with respect to any party hereto, any company, corporation, other entity or person (hereinafter, collectively, **"entity"**), which directly or indirectly, is controlled by, or controls, or is under common control with, such party. For the purposes of this definition, **"control"** shall mean the ability, directly or indirectly, to direct the activities of the relevant entity (save for an ability flowing solely from the fulfilment of the office of director or another office) and shall include, without limitation, the holding, directly or indirectly, of more than 50% (fifty percent) of the issued share capital or of the voting

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power of the relevant entity or the holding, directly or indirectly, of a right to appoint more than 50% (fifty percent) of the directors of such entity or of a right to appoint the chief executive officer of such entity;

1.2.2 **“Combination Product”**

- shall mean a product which comprises (a) a Product or part thereof; and (b) at least one other active ingredient, material or a medical device, which, if administered independently of the Product, would have a clinical effect

1.2.3 **“Exchange Rate”**

- shall mean, with respect to any amount to be calculated, or which is paid or received in a currency other than US Dollars, the average of the selling and buying exchange rates of such currency (in respect of cheques and remittances) and the US Dollar prevailing at **** at the end of business on the date of calculation, payment or receipt, as the case may be;

1.2.4 **“First Commercial Sale”**

- shall mean, with respect to any Licensed Product in any country, the first commercial sale of such Licensed Product in such country after U.S. Food and Drug Administration (“FDA”) New Drug Approval, European Medicines Agency (“EMA”) or national medicinal agency marketing approval or equivalent approval or any other necessary regulatory approval in such country has been obtained for such Licensed Product;

1.2.5 **“Joint Patents”**

- shall mean: (i) the Existing Patent Applications and all patents which may be granted thereon; and (ii) patent applications corresponding to the Existing Patent Applications and all patents or certificates of invention which may be granted thereon; as well as all continuations, continuations-in-part, patents of addition, divisions, renewals, reissues and extensions (including any patent term extension) of any of the foregoing patents, but excluding: (a) patents that have been invalidated or cancelled pursuant to the final (i.e. unappealed or unappealable) judgment of a competent court; and (b) patent applications that have been withdrawn or have expired, in each case such exclusion to be effective only from the date of such invalidation, cancellation, withdrawal or expiry, as the case may

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be.

For the purposes of this Agreement, the term “**Joint Patent**” shall also mean Supplementary Protection Certificate (within the meaning of such term under Council Regulation (EU) No. 1768/92) or any other similar statutory protection;

1.2.6 “**Licence**”

- shall mean an exclusive worldwide license in respect of Yeda’s rights in and to the Licensed Information and the Joint Patents, for the development (by the Company or by a Subcontractor on the Company’s behalf), manufacture (by the Company or by a Subcontractor on the Company’s behalf), production, use, marketing, distribution, offering for sale, export and import and sale of the Licensed Products, subject to the provisions of clause 4.1 below and the other terms and conditions of this Agreement;

1.2.7 “**Licensed Information**”

- shall mean: (i) the Invention; and (ii) the Know How;

1.2.8 “**Licensed Products**”

- shall mean: (i) the Products; and (ii) the Combination Products;

1.2.9 “**Net Sales**”

- shall mean the total amount invoiced by the Company and the total amount invoiced by the Company’s Affiliated Entities in connection with the sale of Licensed Products (for the removal of doubt, whether such sales are made before or after the First Commercial Sale of any Licensed Product in any country); provided that, with respect to sales which are not at arms-length and/or are not in the ordinary course of business and/or are not according to then current market conditions for such a sale, the term “**Net Sales**” shall mean the total amount that would have been due in an arms-length sale made in the ordinary course of business and according to the then current market conditions for such sale or, in the absence of such current market conditions, according to market conditions for sale of products similar to the Licensed Products, in all cases after deduction of:

(i) sales taxes, excise or similar taxes (including value added taxes) to the extent applicable to such sale and included in the invoice in respect of such sale;

(ii) freight and insurance charges to the extent such items are separately itemized on invoices;

(iii) credits or allowances, if any, actually granted on account of price adjustments, recalls, rejections or returns of Licensed Products previously sold;

and provided further that, with respect to sales by the Company to any Affiliated Entity of the Company, the term "**Net Sales**" shall mean the higher of: (a) "Net Sales", as defined above, with respect to sales which are not at arms-length and/or in the ordinary course of business and/or according to current market conditions; and (b) the total amount invoiced by such Affiliated Entity on resale to an independent third party purchaser after the deductions specified in subparagraphs (i) through (iii) above, to the extent applicable. For the removal of doubt if any Licensed Product is sold by the Company to an Affiliated Entity of the Company and is subsequently resold by such Affiliated Entity, the Company shall pay Yeda royalties on the Net Sales value as determined as aforesaid (and not on both the sale and resale of such Product). For the further removal of doubt, the disposition of any Licensed Product, without charge, for demonstration and/or testing purposes shall not be considered to be a sale for the purposes of this clause 1.2.9 and clause 4.1.2 below;

1.2.10 "**Products**"

- shall mean any products, the development or production of which is based on, or involves, the use of the Licensed Information, or part thereof, or which are produced or manufactured using a process, method or system covered by a claim under any Joint Patent;

- 1.2.11 **“Subcontracting Agreement”**
and **“Subcontractor”** - shall mean a *bona fide* subcontracting agreement pursuant to which a contractor is engaged on a pure work order basis for the sole purpose of manufacturing or developing any of the Licensed Products (or part thereof) on the Company’s behalf, for monetary consideration only; and the term **“Subcontractor”** shall be construed accordingly;
- 1.2.12 **“Sublicence”** and **“Sublicensee”** **“Sublicence”** shall mean any right granted, licence given, or agreement entered into, by the Company to or with any other person or entity, permitting any use of the Licensed Information and/or the Joint Patents (or any part thereof) for the development and/or manufacture and/or production and/or marketing and/or distribution and/or sale of Licensed Products (whether or not such grant of rights, license given or agreement entered into is described as a sublicense or as an agreement with respect to the development and/or manufacture and/or production and/or distribution and/or marketing and/or sale of Licensed Products or otherwise), provided, however, that a Subcontracting Agreement shall not be deemed to be a “Sublicence”; and the term **“Sublicensee”** shall be construed accordingly;
- 1.2.13 **“Sublicensing Receipts”** - shall mean consideration, whether monetary or otherwise, received (for the removal of doubt, whether received before or after the First Commercial Sale in any country) by the Company for or from the grant of Sublicences and/or pursuant thereto, or in connection with the grant of an option for a Sublicence, including amounts received by the Company which constitute royalties based on sales of the Licensed Products by Sublicensees; except for amounts received by the Company from a Sublicensee and actually expended by the Company in respect of Licensed Product-related research and/or development activities to be performed by the Company for such Sublicensee plus reasonable overhead that shall in no event exceed *****, after the date of signature of the relevant Sublicence (or, as the case may be, option

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to sublicense), provided that:

(a) any such amounts constitute research and/or development funding only and not payment for Licensed Products nor any other type of grant or benefit,

(b) such research and/or development activities are performed pursuant to a defined research and development program and research and development budget agreed with the relevant Sublicensee, a copy of which is provided to Yeda; and

(c) the Company submits to Yeda a written expense report, confirmed by the Company's chief financial officer, demonstrating that such amounts have actually been expended and/or incurred by the Company in the conduct of such research and/or development activities in accordance with such work program and budget, and that the expenses actually incurred by the Company as aforesaid include reasonable overhead costs,

it being agreed, for the removal of doubt, that any amounts received by the Company as aforesaid, but not expended and/or incurred as set out above, shall be deemed to be Sublicensing Receipts;

1.2.14 the terms: "**Yeda**", "**the Company**", "**the Institute**", "********", "**the Inventors**", "**the Invention**", "**Know-How**" and "**the Existing Patent Applications**",

- shall bear the definitions assigned to them respectively in the heading or the preamble hereto, as the case may be.

1.3 In this Agreement:

1.3.1 words importing the singular shall include the plural and *vice-versa* and words importing any gender shall include all other genders and references to persons shall include partnerships, corporations and unincorporated associations;

1.3.2 any reference in this Agreement to the term "patent" shall also include any re-issues, divisions, continuations or extensions thereof (including measures having equivalent effect);

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- 1.3.3 any reference in this Agreement to the term “patent applications” shall include any provisional patent applications, applications for continuations, continuations-in-part, divisions, patents of addition or renewals, as well as any other applications or filings for similar statutory protection;
- 1.3.4 any reference in this Agreement to the term “sale” shall include the sale, lease, rental or other disposal of any Licensed Product; and
- 1.3.5 “including” and “includes” means including, without limiting the generality of any description preceding such terms.

2. LICENCE

- 2.1 Yeda hereby grants the Licence to the Company, and the Company hereby accepts the Licence from Yeda, during the period, for the consideration and subject to the terms and conditions set out in this Agreement.
- 2.2 For the removal of doubt, nothing contained in this Agreement shall prevent Yeda or the Institute from using the Licensed Information for academic research or other scholarly purposes.
- 2.3 The Licence shall remain in force in each country in the world with respect to each Licensed Product (if not previously terminated in accordance with the provisions of this Agreement) until the later of:
- 2.3.1 the date of expiry in such country of the last of any Joint Patent (including, for the removal of doubt, any patent application, as referred to in the definition of “Joint Patents” in clause 1.2.5 above) in such country covering such Licensed Product to expire; and
- 2.3.2 the date of expiry of a period of 10 (ten) years commencing on the date of First Commercial Sale of the first Licensed Product in such country, or in relation to any country in which there have not been any sales of any Licensed Products - the expiry of a period of 10 (ten) years from the date of the last First Commercial Sale of such Licensed Product worldwide.
- For the purposes of clause 2.3.1. above, a Licensed Product shall be deemed to be covered by a Joint Patent in any country even after the Joint Patent in such country covering such Licensed Product has expired, in the event that, and for so long as, such Licensed Product is protected and/or covered by “Orphan Drug” status (within the meaning of such term under the US Orphan Drug Act), paediatric use approval and/or by any type of data exclusivity or data protection or by any other regulations and/or provisions granting similar statutory or regulatory protection of such Licensed Product in such country.
- 2.4 A Sublicence under the Licence may be granted by the Company provided that: (i) the Sublicence is made by written agreement, the provisions of which are consistent with the terms and conditions of this Agreement; (ii) a final draft of

the proposed Sublicence agreement is submitted to Yeda at least 10 (ten) days prior to the signature thereof and a copy of the signed Sublicence agreement and of all amendments thereto are submitted to Yeda promptly upon signature thereof; and provided further that the following conditions are fulfilled:

- 2.4.1 ****;
- 2.4.2 the proposed Sublicence is to be granted in a *bona fide* arms-length commercial transaction;
- 2.4.3 the proposed Sublicence contains, inter alia, the following terms and conditions:
 - 2.4.3.1 ****;
 - 2.4.3.2 that the Sublicence shall not be assignable, otherwise transferable or further sublicenseable;
 - 2.4.3.3 that Yeda shall have the right, upon reasonable notice to the Sublicensee and at reasonable times, to send representatives in order to examine those books of accounts, records and other documentation of the Sublicensee as may be necessary in order to determine the correctness or completeness of any payment made under this Agreement, all without derogating from clause 4.5 below; and
- 2.4.4 any act or omission by the Sublicensee which would have constituted a breach of this Agreement by the Company had it been the act or omission of the Company, shall constitute a breach of the Sublicence agreement with the Company entitling the Company to terminate the Sublicence****.
- 2.5 Nothing contained in this Agreement shall be deemed to be a representation or warranty, express or implied, by either party that the Existing Patent Applications or any of them, the Licensed Information or any portion thereof will be granted or that patents obtained on any of the said patent applications are or will be valid or will afford proper protection or that the Licensed Information or will be commercially exploitable or of any other value or that the exploitation of the Joint Patents or the Licensed Information will not infringe the rights of any third party.

3. **TITLE**

Subject only to the Licence, all right, title and interest in and to the Licensed Information and the Joint Patents and all right, title and interest in and to ****

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****, vest and shall vest in Yeda and the Company jointly.

4. CONSIDERATION FOR GRANT OF LICENCE

4.1 In consideration for the grant of the Licence, the Company shall pay Yeda:

4.1.1 a non-refundable licence fee of US \$2,000 (Two Thousand United States Dollars) per year (or part thereof) (excluding Value Added Tax) (“**the Annual Licence Fee**”) to be paid in advance at the beginning of each 1 (one) year period, commencing on the date being the earlier of: (i) 1 January 2009; and (ii) the date of First Commercial Sale of any Licensed Product (“**the Determining Date**”), during a period of 10 (ten) years after the Determining Date or until the expiry of the last of any Joint Patents (whichever is sooner). For the removal of doubt, the first Annual Licence Fee shall be paid on the Determining Date and thereafter on each anniversary of the Determining Date during the period referred to above. The amount of the Annual Licence Fee paid by the Company as aforesaid will be credited against royalties payable by the Company pursuant to clause 4.1.2 below during the 1 (one) year period in respect of which the Company shall have paid such Annual Licence Fee.

4.1.2

4.1.2.1 a royalty of **** of Net Sales of Products by the Company and by its Affiliated Entities; and

4.1.2.2 a royalty of **** of Net Sales of Combination Products by the Company and by its Affiliated Entities; and

4.1.2.3 **** of all Sublicensing Receipts.

For the removal of doubt, the Company undertakes that all sales (within the meaning of such term in clause 1.3.4 above) of Licensed Products by the Company and each Sublicensee shall be ****.

4.2 In calculating Net Sales and Sublicensing Receipts, all amounts shall be expressed in US Dollars and any amount received or invoiced in a currency other than US Dollars shall be translated into US Dollars, for the purposes of calculation, in accordance with the Exchange Rate between the US Dollar and such currency on the date of such receipt or invoice, as the case may be. For the removal of doubt, in calculating amounts received by the Company, whether by way of Net Sales or Sublicensing Receipts, any amount deducted or withheld in connection with any such payment on account of taxes on net income (including income taxes, capital gains tax, taxes on profits or taxes of a similar nature) payable by the Company in any jurisdiction, shall be deemed,

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notwithstanding such deduction or withholding, to have been received by the Company.

4.3

4.3.1 Amounts payable to Yeda in terms of this clause 4 shall be paid to Yeda in US Dollars: (i) with respect to Net Sales made and Sublicensing Receipts received during the period from the date of signature of this Agreement until the end of the first calendar year in which the aggregate amount of Net Sales made and Sublicensing Receipts received reaches US \$50,000 (fifty thousand United States Dollars) (“**the Initial Period**”)—no later than 30 (thirty) days after the end of each calendar year during the Initial Period; (ii) with respect to Net Sales made and Sublicensing Receipts received after the Initial Period—on a quarterly basis and no later than 30 (thirty) days after the end of each calendar quarter, commencing on the first day after the expiry of the Initial Period.

4.3.2 The Company shall submit to Yeda: (i) no later than 30 (thirty) days after the end of each calendar year during the Initial Period and no later than 30 (thirty) days after the end of each calendar quarter after the Initial Period, a written report setting out amounts owing to Yeda in respect of such previous period to which such report refers, in a customary form, certified as being correct by the chief financial officer of the Company, and with full details of:

- 4.3.2.1
- (i) the sales of Products made by the Company, including a breakdown of Net Sales according to country, identity of seller, currency of sales, dates of invoices, number and type of Products sold;
 - (ii) the sales of Combination Products made by the Company, including a breakdown of Net Sales according to country, identity of seller, currency of sales, dates of invoices, number and type of Combination Products sold;
 - (iii) the royalties received by the Company from Sublicensees based on sales by Sublicensees, including a breakdown of such royalties according to Products and Combination Products, identity of Sublicensees, country, currency and amounts of sales in respect of which such royalties were received, the currency of the royalty payments and date of receipt thereof;
 - (iv) the Sublicensing Receipts, including a breakdown of Sublicensing Receipts according to identity of Sublicensees, countries, the currency of the payment and date of receipt thereof;
 - (v) deductions applicable, as provided in the definition of “Net Sales”; and

4.3.2.2 any other matter necessary to enable the determination of the amounts of royalties payable hereunder.

4.4 The Company shall keep and shall contractually obligate Sublicensees to keep complete, accurate and correct books of account and records consistent with sound business and accounting principles and practices and in such form and in such details as to enable the determination of the amounts due to Yeda in terms hereof. The Company shall retain and shall contractually obligate Sublicensees to retain the foregoing books of account relating to a given calendar quarter for 6 (six) years after the conclusion of that calendar quarter.

4.5 At Yeda's expense, Yeda shall be entitled to appoint representatives to inspect during normal business hours and to make copies of the Company's and Sublicensees' books of accounts, records and other documentation (including technical data and lab books) to the extent relevant or necessary for the ascertainment or verification of the amounts due to Yeda under this clause 4, provided however that Yeda shall coordinate such inspection with the Company or Sublicensee (as the case may be) in advance. In the event that any inspection as aforesaid reveals any underpayment by the Company to Yeda in respect of any year of the Agreement in an amount exceeding 5% (five percent) of the amount actually paid by the Company to Yeda in respect of such year then the Company shall (in addition to paying Yeda the shortfall together with interest thereon in accordance with clause 10.3 below), bear the costs of such inspection. The provisions of this clause 4 shall survive the termination of this Agreement for whatsoever reason. The parties agree that the inspection of technical data and lab books as aforesaid may only be conducted for the purposes of determining whether the product developed, manufactured, sold, marketed, distributed and/or used by the Company and/or Sublicensee is a Product or a Combination Product. If such inspection is carried out by an independent third party appointed by Yeda, such third party shall be bound by an obligation of confidentiality.

5. JOINT PATENTS; PATENT INFRINGEMENTS

5.1

5.1.1 Subject to clauses 5.3 and 5.4 below, **** shall prosecute the Existing Patent Applications using the outside patent counsel retained by **** for such purpose prior to the execution of this Agreement, unless otherwise agreed by the parties in writing, and shall maintain at the applicable patent office(s) any patents issuing from the Existing Patent Applications. The Company and Yeda shall consult with one another and cooperate fully with regard to the prosecution of the Existing Patent Applications and in maintenance of such patents.

5.1.2 The parties shall consult with one another regarding the filing of patent applications corresponding to the Existing Patent Applications and other

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patent applications included in the definition of "Joint Patents", including the jurisdictions in which such applications should be filed, the timing of the filing of such applications and the contents thereof. Following such consultations, and subject to clauses 5.3 and 5.4 below, **** shall retain outside patent counsel to prepare, file and prosecute patent applications as aforesaid in such jurisdiction or jurisdictions as shall be determined by the parties in consultation as aforesaid. Subject to clauses 5.3 and 5.4 below, **** shall also maintain at the applicable patent office any patents granted as a result of any of the above patent applications. The parties agree that their joint policy will be to seek comprehensive patent protection for the Licensed Information as commercially feasible. The Company and Yeda shall cooperate fully in the preparation, filing, prosecution and maintenance of such patent applications and patents.

- 5.1.3 Without derogating from the foregoing, **** shall, at its expense, take all necessary steps, to the extent appropriate and commercially feasible, in order to obtain, or, at ****'s election, assist **** to obtain, the extension of each patent referred to in this clause 5.1 above, or in the case of a patent in any member state of the European Union, a Supplementary Protection Certificate as referred to in clause 1.2.5 above (including, the preparation and filing of applications for such extensions and Supplementary Protection Certificates), within the period prescribed therefore under applicable law and, if applicable, take all necessary steps in order to obtain "Orphan Drug" status (within the meaning of such term under the US Orphan Drug Act or under Council Regulation (EU) No. 141/2000, as the case may be), or paediatric use approval, within the period prescribed therefore under applicable law. **** shall notify **** promptly in writing and shall provide a copy to **** of each marketing authorization granted in respect of each Licensed Product in each country and, if applicable, of "Orphan Drug" or paediatric use approval granted in respect of a Licensed Product and shall keep **** informed and shall provide copies to **** of all documents regarding all applications, activities and/or proceedings regarding such extensions and/or any Supplementary Protection Certificates and/or "Orphan Drug" or paediatric use approval, as aforesaid.
- 5.2 All applications to be filed in accordance with the provisions of clauses 5.1.2 and 5.1.3 above, shall be filed in the name of **** or, should the law of the relevant jurisdiction so require, in the name of the relevant inventors and then assigned to ****.
- 5.3 In the event that, following such consultations between the parties regarding the filing, prosecuting and/or maintenance (as applicable) of patent applications and/or patents pursuant to clauses 5.1.1 and 5.1.2 above, **** shall not wish to file and/or continue to prosecute a patent application and/or maintain a patent in any country (including any of the Existing Patent Applications) as aforesaid, then ****, in its discretion, may elect to file and/or

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continue to prosecute such patent application and/or maintain such patent in such country at its own cost and expense. **** shall notify **** in writing of ****'s election to file and/or continue to prosecute such patent application and/or maintain such patent in such country as aforesaid, at ****'s expense (such notice, "the **** Notice"), and, in the event that **** shall not, within 30 (thirty) days of receipt of the **** Notice:

(i) reimburse **** for all out-of-pocket costs and fees incurred by **** until the date of the **** Notice (the **** Notice to be supported by receipts or other appropriate documents evidencing such costs and fees) in connection with the said patent application (in the preparation and/or filing and/or prosecution and/or maintenance of such application) and/or such patent such costs and fees to be expressed in the currency in which paid by **** and to be reimbursed or paid (as the case may be) by **** to **** in US Dollars in accordance with the Exchange Rate of such currency on the date of reimbursement or payment; and (ii) undertake in writing to **** to bear all additional and future expenses relating to such patent application and/or patent, then **** shall be entitled, at any time after the expiry of the said 30 (thirty) day period after such notice, to terminate the Licence granted to **** under this Agreement in respect of such patent application and/or patent in such country, and to take whatever action it deems fit (in its sole discretion) with respect to such patent application and/or patent.

5.4

5.4.1 **** has borne (up to the date of signature of this Agreement), and shall continue to bear and pay all costs and fees incurred in the preparation, filing, prosecution and the like of the Existing Patent Applications and of all patent applications filed in accordance with the provisions of clauses 5.1.2 and 5.1.3 above (including patent applications corresponding to the Existing Patent Applications), and the maintenance at the appropriate patent office and the like of all patents issuing from the Existing Patent Applications and all patent applications referred to above, and all costs and fees incurred in undertaking any activities referred to in clause 5.1.3 above.

5.4.2 Unless otherwise instructed by **** in writing, **** shall pay directly to ****'s relevant outside patent counsel amounts payable by **** pursuant to this clause 5.4 above or clause 5.3 above.

5.5

5.5.1 (i) Should **** determine that a third party is infringing one or more of the Joint Patents, then **** shall notify **** promptly in writing, giving full particulars thereof and **** shall be entitled to sue for such infringement.

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(ii) **** shall cooperate with **** in prosecuting such litigation.

The provisions of paragraph (ii) above shall be subject to the following:

- (a) any expenses or costs or other liabilities incurred in connection with such litigation (including attorneys' fees, costs and other sums awarded to the counterparty in such action) shall be borne by ****, which shall indemnify **** against any out-of-pocket expenses or other liabilities, the above without derogating from the provisions of clause 9 below;
- (b) in the event that **** shall be named as a party in any such litigation then **** shall be entitled to select its own legal counsel in such litigation, at ****'s expense, provided that if there is a conflict of interests between **** and ****, the fees and costs of legal counsel selected by **** as aforesaid shall be borne by ****, and, if **** elects not to select its own counsel, and no conflict of interests exists the selection of the legal counsel representing **** and **** in such litigation shall be subject to the prior written approval of ****, which approval shall not be withheld unreasonably and ****'s response to such request for approval shall not be delayed unreasonably; and
- (c) no settlement, consent order, consent judgment or other voluntary final disposition of such action whereby a Joint Patent may be invalidated or which requires any act or omission by the Institute, **** or any of the Inventors may be entered into without the prior written consent of **** (such consent not to be unreasonably withheld and ****'s response to such request for approval shall not be delayed unreasonably).

5.5.2

- (i) Should **** discover any allegation by a third party that, or be sued on the grounds that, the manufacture, use or sale of a Licensed Product by it or by a Sublicensee under any of the Joint Patents or using the Licensed Information or any portion thereof infringes upon the patent rights of a third party, then **** shall notify **** promptly in writing, giving full particulars thereof, and **** shall be entitled to defend such action.
- (ii) **** may elect, at its own initiative, to join as a party to such action, at its own expense.
- (iii) All expenses, costs and/or other liabilities incurred in connection with such litigation (including attorneys' fees, costs and other sums awarded to the counterparty in such action) shall be borne by ****.
- (iv) The provisions of clause 5.5.1 (c) above shall apply, *mutatis mutandis*.

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- 5.5.3 Any recovery in any litigation relating to an infringement as aforesaid in clauses 5.5.1 and 5.5.2 above shall first be applied to cover costs and thereafter divided **** to **** and **** to ****.
- 5.5.4 For the removal of doubt, **** shall not itself be obliged to take any action to sue for any infringement or to defend any action as referred to in this clause 5.5 above.
- 5.6 If **** fails to take action to abate any alleged infringement of a Joint Patent, or to defend any action as aforesaid, within **** of a request by **** to do so (or within a shorter period, if required to preserve the legal rights of **** under applicable law), then **** shall have the right (but not the obligation) to take such action at its expense and **** shall cooperate in such action at ****'s expense and, if required under applicable law or contract, consent to be named as a party to any such action. **** shall have full control of such action and shall have full authority to settle such action on such terms as **** shall determine. Any recovery in any such litigation shall first be applied to cover costs (of both parties) and thereafter be for the account of **** only:
- 5.7 **** shall promptly keep **** informed and provide copies to **** of all documents regarding all such actions or proceedings instituted by or against **** as contemplated under any of the provisions of clause 5.5 above.

6. DEVELOPMENT AND COMMERCIALIZATION

- 6.1 ****.
- 6.2 The Company shall provide Yeda on December 31 of each calendar year during the term of the Licence with written progress reports (“**Progress Reports**”) which shall include information of a general nature relating to the manner and extent of the exploitation by the Company of the Licence, including with respect to any applications filed with any regulatory authority regarding any Licensed Products and any significant development activities.
- 6.3 For the removal of doubt, nothing contained in this Agreement shall be construed as a warranty by the Company that any development program carried by it will actually achieve its aims and the Company makes no

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warranties whatsoever as to any results to be achieved in consequence of the carrying out of any development.

- 6.4 The Company shall mark, and cause all its Sublicensees to mark, all Licensed Products that are manufactured or sold under this Agreement with the number or numbers, of each Joint Patent applicable to such Licensed Product.

7. CONFIDENTIALITY

- 7.1 The Company shall maintain in confidence all information relating to this Agreement and the terms hereof (hereinafter, “**the Confidential Information**”), except and to the extent that the Company can prove that any such information becomes part of the public domain thereafter (other than through a violation by the Company of this obligation of confidentiality). Notwithstanding the foregoing, the Company may disclose to its personnel and to other third parties (including Sublicensees) the Confidential Information to the extent necessary for the exercise by it of its rights hereunder or in the fulfilment of its obligations hereunder, provided that the Company shall bind such personnel and other third parties with a similar undertaking of confidentiality in writing.
- 7.2 In addition to and without derogating from the foregoing, the Company undertakes not to make mention of the names of Yeda, the Inventors (excluding ****), the Institute or any scientists or other employees of the Institute or any employee of Yeda in any manner or for any purpose whatsoever in relation to this Agreement, its subject-matter and any matter arising from this Agreement or otherwise, unless the prior written approval of Yeda thereto has been obtained.
- 7.3 Notwithstanding the provisions of clauses 7.1 and 7.2 above, the Company shall not be prevented from mentioning the name of Yeda, the Inventors, the Institute and/or any scientists or other employees of the Institute or any employee of Yeda or from disclosing any information if, and to the extent that: (i) such mention or disclosure is to competent authorities for the purposes of obtaining approval or permission for the exercise of the Licence, or (ii) in the fulfilment of any legal duty owed to any competent authority (including a duty to make regulatory filings) (Yeda hereby acknowledging that it is aware that such competent authority may not be bound by any confidentiality obligations and may disclose or be required to disclose such information to a third party, whether by order of court or by law or otherwise), or (iii) same is necessary for the purpose of stating, in any private placement memorandum or a public offering registration statement, conduct of due diligence in connection therewith, or the such like, that the Company is a licensee of Yeda under this Agreement provided that any other mention or disclosure of information (i.e. other than that the Company is a licensee of Yeda as aforesaid) in a private placement memorandum or a public registration statement shall be subject to Yeda’s consent, which consent shall not be withheld unreasonably .

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- 7.4 The termination of this Agreement, for whatever reason, shall not release the Company from any of its obligations under this clause 7 and such obligations shall survive any termination as aforesaid, subject to clause 7.7 below.
- 7.5 Yeda shall maintain in confidence the reports received by Yeda from the Company pursuant to clauses 4.3.2 and 6.2 above and any information received by Yeda from the Company which has been designated by the Company in writing as confidential, except and to the extent that: (i) any such information or data is in the public domain at the date of the signing hereof or becomes part of the public domain thereafter (other than through a violation by Yeda of this obligation of confidentiality) or is released by the Company from this obligation of confidentiality by notice in writing; (ii) Yeda is required to disclose such information in order to fulfil its obligations under this Agreement (including in connection with ****); or (iii) Yeda is required to disclose such information in fulfillment of any legal duty owed to any competent authority (the Company hereby acknowledging that it is aware that such competent authority may not be bound by any confidentiality obligations and may disclose or be required to disclose such information to a third party, whether by order of court or by law or otherwise). For the removal of doubt, the provisions of this clause 7.5 shall not apply in respect of any information (not being part of the Licensed Information) independently developed at the Institute without reference to the confidential information received from the Company.
- 7.6 For the removal of doubt, Yeda shall have the right to allow the scientists of the Institute to publish articles relating to the Licensed Information in scientific journals or posters or to give lectures or seminars to third parties relating to the Licensed Information, on the condition that, to the extent that the information to be published or disclosed is Licensed Information which is not in the public domain, a draft copy of the said contemplated publication or disclosure shall have been furnished to the Company at least **** before the making of any such publication or disclosure and the Company shall have failed to notify Yeda in writing, within **** from receipt of the said draft publication or disclosure, of its opposition to the making of the contemplated publication or disclosure. Should the Company notify Yeda in writing within **** from the receipt of the draft contemplated publication or disclosure that it opposes the making of such publication or disclosure because it includes material (which has been specified in said notice) in respect of which there are reasonable grounds (which have also been specified in said notice) requiring the postponement of such publication or disclosure so as not adversely to affect the Company's interests under the Licence because such information is patentable subject-matter for which patent protection pursuant to clause 5.1 above should be sought, then Yeda shall not permit such publication or disclosure unless and until there shall first have been filed an appropriate patent application in respect of the material to be published or disclosed as aforesaid. The Company acknowledges that it is aware of the importance to the

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researchers of publishing their work and, accordingly, the Company will use its best efforts not to oppose such publications.

- 7.7 Both parties' obligations under this clause 7 shall continue until the date of expiry of a period of **** after the termination or expiry of this Agreement.

8. NO ASSIGNMENT

- 8.1 The Company shall not be entitled to assign or encumber all or any of its rights or obligations under this Agreement or arising therefrom, unless it shall have received the prior written consent of Yeda to such assignment or encumbrance, which consent, if given, ****. For the purposes of this clause 8, the merger of the Company with another entity (whether or not the Company is the surviving entity) and the sale of all or substantially all of the assets or business of the Company to others shall be deemed to be an assignment, subject to the provisions of clause 8.2 below.
- 8.2 Notwithstanding the foregoing, the sale of all or substantially all of the assets or the business of the Company to others ("**the Acquisition**") will not require the written consent of Yeda as aforesaid if all of the following conditions are met: ****.

9. EXCLUSION OF LIABILITY AND INDEMNIFICATION

- 9.1 Yeda, the Inventors (excluding ****), the Institute and the directors, officers and employees of Yeda and/or of the Institute (hereinafter collectively "**the Indemnitees**") shall not be liable for any claims, demands, liabilities, costs, losses, damages or expenses (including legal costs and attorneys' fees) of whatever kind or nature (all of the foregoing, collectively, "**Liabilities**") caused to or suffered by any person or entity (including the Company or any Sublicensee) that directly or indirectly arise out of or result from or are encountered in connection with this Agreement or the exercise of the Licence, including directly or indirectly arising out of or resulting from or encountered in connection with: (i) the development, manufacture, sale or use of any of the Licensed Products by the Company, any Sublicensee or any person acting in the name of or on behalf of any of the foregoing, or acquiring, directly or

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indirectly, any of the Licensed Products from any of the foregoing, ; or (ii) the exploitation or use by the Company or any Sublicensee of the Licensed Information or any part thereof, including of any data or information given, if given, in accordance with this Agreement.

- 9.2 In the event that any of the Indemnitees should incur or suffer any Liabilities that directly or indirectly arise out of or result from or are encountered in connection with this Agreement or the exercise of the Licence as aforesaid in clause 9.1 above, or shall be requested or obliged to pay to any person or entity any amount whatsoever as compensation for any Liabilities as aforesaid in clause 9.1 above, then the Company shall indemnify and hold harmless such Indemnitees from and against any and all such Liabilities. Without limiting the generality of the foregoing, the Company's indemnification as aforesaid and the exclusion of liability in clause 9.1 above shall extend to product liability claims and to damages, claims, demands, liabilities, losses, costs and expenses attributable to death, personal injury or property damage or to penalties imposed on account of the violation of any law, regulation or governmental requirement.

Yeda shall, or shall procure that any of the Indemnitees shall notify the Company promptly in writing of any such claim; and Yeda may, at its sole option, allow the Company, at the Company's expense, to assume control over defending such claim, in which case it will provide the Company with reasonable assistance and any information reasonably required for defending such a claim, at the Company's expense; provided that if the Company shall assume control over the defence of such claim, no settlement, consent order, consent judgment or other voluntary final disposition of such action may be entered into without the prior written consent of Yeda which shall not be withheld unreasonably.

- 9.3 The Company shall at its own expense insure its liability pursuant to clause 9.2 above during the period beginning on the date of the signing of this Agreement and continuing during the entire period that the Licence is in force in any country, plus an additional period of 7 (seven) years. Such insurance shall be in reasonable amounts and on reasonable terms in the circumstances, having regard, in particular, to the nature of the Licensed Products, and shall be subscribed for from a reputable insurance company. The named insured under such insurances shall be the Company, the Inventors, Yeda and the Institute and the beneficiaries thereof shall include also the respective employees, officers and directors of Yeda and the Institute. The policy or policies so issued shall include a "cross-liability" provision pursuant to which the insurance is deemed to be separate insurance for each named insured (without right of subrogation as against any of the insured under the policy, or any of their representatives, employees, officers, directors or anyone in their name) and shall further provide that the insurer will be obliged to notify each insured in writing at least 30 (thirty) days in advance of the expiry or cancellation of the policy or policies. The Company hereby undertakes to comply punctually with

all obligations imposed upon it under such policy or policies and in particular, without limiting the generality of the foregoing, to pay in full and punctually all premiums and other payments for which it is liable pursuant to such policy or policies. The Company shall be obliged to submit to Yeda copies of the aforesaid insurance policy or policies within 14 (fourteen) days of the date of issue of each such policy.

9.4 The provisions of this clause 9 shall survive the termination of this Agreement for whatsoever reason.

10. TERM AND TERMINATION

10.1 Unless otherwise agreed to in writing, or earlier terminated as provided in this clause 10, this Agreement shall continue in full force and effect for as long as the Licence is in force in any country with respect to any Licensed Product as aforesaid in clause 2.3 above.

10.2 Without derogating from the parties' rights hereunder or by law to any other or additional remedy or relief, it is agreed that either Yeda or the Company may terminate this Agreement and the Licence hereunder by serving a written notice to that effect on the other upon or after: (i) the commitment of a material breach hereof by the other party, which material breach cannot be cured or, if curable, which has not been cured by the party in breach within 30 (thirty) days (or, in the case of failure by the Company to pay any amount due from the Company to Yeda pursuant to or in connection with this Agreement on or before the due date of payment, 14 (fourteen) days) after receipt of a written notice from the other party in respect of such breach, or (ii) the granting of a winding-up order in respect of the other party, or upon an order being granted against the other party for the appointment of a receiver, or if such other party passes a resolution for its voluntary winding-up, or if a temporary or permanent liquidator or receiver is appointed in respect of such other party, or if a temporary or permanent attachment order is granted on such other party's assets, or a substantial portion thereof, or if such other party shall seek protection under any laws or regulations, the effect of which is to suspend or impair the rights of any or all of its creditors, or to impose a moratorium on such creditors, or if anything analogous to any of the foregoing in this clause 10.2(ii) above under the laws of any jurisdiction occurs in respect of such other party; provided that in the case that any such order or act is initiated by any third party, the right of termination shall apply only if such order or act as aforesaid is not cancelled within 60 (sixty) days of the grant of such order or the performance of such act.

10.3 Any amount payable hereunder by one of the parties to the other, that has not been paid by its due date of payment, shall bear interest from its due date of payment until the date of actual payment, at the maximum rate of **** per month or *pro rata* for part thereof.

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- 10.4 Upon the termination of this Agreement for whatever reason, except by the passage of time, the Licence granted under this Agreement shall forthwith terminate and all rights granted to the Company under this Agreement with respect to Yeda's rights in the Licensed Information and the Joint Patents shall revert to Yeda.
- 10.5 The termination of this Agreement for any reason shall not relieve the Company or Yeda of any obligations which shall have accrued prior to such termination.
- 10.6 For the avoidance of doubt, it is hereby recorded and agreed that following the expiry of the Licence hereunder in any country with respect to any Licensed Product (hereinafter "**the said country**" and "**the said Licensed Product**"), by passage of time only pursuant to clause 2.3 above, the Company shall be entitled to continue to produce, manufacture, use, market, distribute and/or sell the said Licensed Product in the said country without having to pay royalties to Yeda in respect of such activities subsequent to such expiry date. This clause 10.7 shall survive termination of this Agreement pursuant to clause 10.1.

11. **NOTICES**

Any notice or other communication required to be given by one party to the other under this Agreement shall be in writing and shall be deemed to have been served: (i) if personally delivered, when actually delivered; or (ii) if sent by facsimile, the next business day after receipt of confirmation of transmission; or (iii) 10 (ten) days after being mailed by certified or registered mail, postage prepaid (for the purposes of proving such service, it being sufficient to prove that such notice was properly addressed and posted) to the respective addresses of the parties set out below, or to such other address or addresses as any of the parties hereto may from time to time in writing designate to the other party hereto pursuant to this clause 11:

- 11.1 to Yeda at: P.O. Box 95
Rehovot 76100
Attention: the CEO
Facsimile: (08) 9470739
- 11.2 to the Company at: 7 Golda Meir Street, Science Park,
Nes Ziona
Attention: the CEO
Facsimile: (08)-9380254

12. **VALUE ADDED TAX**

The Company shall pay to Yeda all amounts of Value Added Tax imposed on Yeda in connection with the transactions under this Agreement.

13. **GOVERNING LAW AND JURISDICTION**

This Agreement shall be governed in all respects by the laws of **** and the parties hereby submit to the exclusive jurisdiction of the competent **** courts, except that Yeda may bring suit against the Company in any other jurisdiction outside **** in which the Company has assets or a place of business.

14. **MISCELLANEOUS**

- 14.1 The headings in this Agreement are intended solely for convenience or reference and shall be given no effect in the interpretation of this Agreement.
- 14.2 This Agreement constitutes the entire agreement between the parties hereto in respect of the subject-matter hereof, and supersedes all prior agreements or understandings between the parties relating to the subject-matter hereof (including, the Memorandum of Understanding between Yeda and the Company dated October 9, 2005) and this Agreement may be amended only by a written document signed by both parties hereto. No party has, in entering into this Agreement, relied on any warranty, representation or undertaking, except as may be expressly set out herein.
- 14.3 This Agreement may be executed in any number of counterparts (including counterparts transmitted by fax), each of which shall be deemed to be an original, but all of which taken together shall be deemed to constitute one and the same instrument.
- 14.4 No waiver by any party hereto, whether express or implied, of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provisions at any other time or a waiver of such party's rights under any other provision of this Agreement. No failure by any party hereto to take any action against any breach of this Agreement or default by another party hereto shall constitute a waiver of the former party's rights to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by such other party.
- 14.5 If any provision of this Agreement is held to be unenforceable under applicable law, then such provision shall be modified as set out below and the balance of this Agreement shall be interpreted as if such provision were so modified and shall be enforceable in accordance with its terms. The parties shall negotiate in good faith in order to agree on the terms of an alternative provision which complies with applicable law and achieves, to the greatest extent possible, the same effect as would have been achieved by the invalid or unenforceable provision.
- 14.6 Nothing contained in this Agreement shall be construed to place the parties in a relationship of partners or parties to a joint venture or to constitute either party an agent, employee or a legal representative of the other party and neither

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party shall have power or authority to act on behalf of the other party or to bind the other party in any manner whatsoever.

- 14.7 All payments to be made to Yeda hereunder shall be made in US Dollars by banker's cheque or by bank transfer to Yeda's bank account, the details of which are as follows: ****.
- 14.8 All payments to be made to Yeda hereunder shall be made free and clear of, and without any deduction for or on account of, any set-off, counterclaim or tax, except any deductions that the Company is required to make from the payments to be made hereunder on account of income tax, tax on profit or any other taxes of a similar nature imposed on Yeda by law, ("**withholding tax**"), provided that: (i) the Company shall immediately notify Yeda of such requirement and the Company shall deduct the withholding tax from the payments referred to above, as prescribed by applicable law, unless Yeda provides the Company with evidence of an exemption from such tax, and (ii) shall provide Yeda with the necessary tax receipts in a timely manner.
- 14.9 Each party agrees to execute, acknowledge and deliver such further documents and instruments and do any other acts, from time to time, as may be reasonably necessary, to effectuate the purposes of this Agreement.
- 14.10 None of the provisions of this Agreement shall be for the benefit of, or enforceable by, any person who is not a party to this Agreement, save for clauses 7 and 9 above.

IN WITNESS WHEREOF the parties hereto have set their signatures as of this 6th day of January, 2008.

for **YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED**

for **PROCHON BIOTECH LTD.**

Signature: /s/ Mudi Sheves /s/ Amir Naiberg

Signature: /s/ Avala Yayan

Name: Prof. Mudi Sheves Amir Naiberg

Name: Avala Yayan

Title: Chairman C.E.O.

Title: CEO & COO

Date: Jan. 06, 2008

Date: Dec. 19, 2007

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CONFIDENTIAL TREATMENT REQUESTED

APPENDIX A

THE EXISTING PATIENT APPLICATIONS

PATENT CARD

2000-097

Title: ****

Inventors: ****

<u>Country</u>	<u>Application</u>	<u>Publication</u>	<u>Grant</u>	<u>Status</u>
****	****	****	****	****
****	****	****	****	****
****	****	****	****	****
****	****	****	****	****

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CONFIDENTIAL TREATMENT REQUESTED**AMENDMENT TO LICENCE AGREEMENT**

Made and entered in to this 23rd day of March 2010

By and between

YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED

a company duly registered under the laws of Israel of
P O Box 95, Rehovot 76100, Israel

(hereinafter, “**Yeda**”)

and

PROCHON BIOTECH LIMITED

a company duly registered under the laws of Israel having
its principal place of business at 7 Golda Meir Street,
Science Park, Nes Ziona, Israel

(hereinafter, “**the Company**”)

WHEREAS the parties have entered into a Licence Agreement dated 6 January 2008, (“**the Licence Agreement**”); and

WHEREAS in light of a collaboration agreement entered into between the Company and **** (as hereinafter defined) the parties have agreed to amend the Licence Agreement, as more particularly set out herein.

NOW THEREFORE IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:**1. CAPITALISED TERMS, PREAMBLE AND HEADINGS**

- 1.1 Capitalised terms in this Amendment (“**this Amendment**”) which are defined in the Licence Agreement shall have the same meaning attributed to them therein, unless otherwise defined in this Amendment.
- 1.2 The preamble hereto shall form an integral part of this Amendment.
- 1.3 The headings in this Amendment are intended solely for convenience or reference and shall be given no effect in the interpretation of this Amendment.

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2. **AMENDMENT OF LICENCE AGREEMENT**

- 2.1 The Licence Agreement and this Amendment shall be read as one and shall represent the complete current understanding between the parties with respect to the subject matters hereof and thereof.
- 2.2 Subject only to the modifications contained herein, the provisions of the Licence Agreement shall remain unaltered and in full force and effect.
- 2.3 The following clause shall be added to the Licence Agreement as clause 1.2.1A:

“**Collaboration Agreement**” – shall mean a collaboration agreement dated 2005 entered into between the Company and **** (as hereinafter defined);”

- 2.4 The following clause shall be added to the Licence Agreement as clause 1.2.7A:

- 2.5 The following clause shall be added to the Licence Agreement as clause 4A:

“4A. **COLLABORATION AGREEMENT**

4A.1 The Company acknowledges that the rights granted by it to **** pursuant to the Collaboration Agreement in respect of what is defined thereunder as the “Second Product” (the Company hereby declaring that what is defined as the “First Product” thereunder has never been and never will be developed), include the grant of rights to use Yeda’s rights in the Licensed Information and/or the Joint Patents, and that consequently, subject only to clause 4A.2 below:

- (a) all products defined in the Collaboration Agreement as “Products” (“**Collaboration Agreement Products**”) shall constitute Licensed Products under this Agreement;

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CONFIDENTIAL TREATMENT REQUESTED

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- (b) the Collaboration Agreement shall thus constitute a Sublicense and **** a Sublicensee;
- (c) royalties are due to Yeda in respect of Net Sales by the Company (or any Affiliated Entities thereof) of Collaboration Agreement Products;
- (d) all amounts received by the Company from **** in respect of Collaboration Agreement Products or additional Licensed Products (with the exception of amounts advanced to the Company by **** as participation in its process development costs, whether such participation is by way of shareholder loans or otherwise, as per the side letter between the Company and **** dated January 4, 2010 (“**the Side Letter**”), and subject to clause 4A.4 below) shall constitute Sublicensing Receipts; and
- (e) any additional products which may in future fall under the definition of “Covered Products”, as contemplated, *inter alia*, pursuant to clause 5 of the Collaboration Agreement (for the avoidance of doubt, including any products constituting First Products as defined in the Collaboration Agreement), shall constitute Licensed Products under this Agreement, unless the Company can prove, with respect to any specific Covered Product, that same does not constitute a Licensed Product hereunder;
- (f) the Company’s ability to permit any use of Yeda’s rights in the Licensed Information and/or the Joint Patents under the Collaboration Agreement shall expire automatically upon the termination of the Licence for any reason other than by passage of time only pursuant to clause 2.3 hereof;

4A.2 The provisions of clause 4A.1 notwithstanding, the provisions of clauses 2.4 and 4.1 hereof shall not (subject to clause 4A.4 below) apply to the Collaboration Agreement or to Collaboration Agreement Products, but the provisions of this Agreement, including but not limited to clause 4A.3 below, shall otherwise apply thereto.

4A.3 The Company shall pay to Yeda:

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- (a) subject to clause 4A.4 below, an amount equal to **** of all amounts received by the Company from **** (with the exception of amounts advanced to the Company by **** as participation in its process development costs, whether such participation is by way of shareholder loans or otherwise, as per the Side Letter); and
- (b) a royalty of **** of Net Sales by the Company (or any Affiliated Entities thereof) of any Collaboration Agreement Products.

The Company undertakes that it will not agree to any reduction in the percentage amounts payable to it by **** pursuant to the Collaboration Agreement.

4A.4 In reliance on the Company's declaration hereby that all FGF variant provided to **** in connection with the Second Product pursuant to the Collaboration Agreement shall either (a) be sold by **** by way of incorporation in the Second Product (as defined in the Collaboration Agreement), or (b) shall be used for clinical trials purposes, ****

2.5 In clauses 4.3.1 and 4.5 there shall be added, after the words "this clause 4" the words "and clause 4A below"; for the avoidance of doubt, references in clause 4.3.2.1 to Products and Combination Products shall include (as appropriate) reference to Collaboration Agreement Products.

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CONFIDENTIAL TREATMENT REQUESTED

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2.6 In clause 4.3.2.1 there shall be added, as subclause (iv), the following: "details as to FGF variants supplied to **** by the Company and as to the Net Sales thereof of the Company to **** in cases where royalties are payable to Yeda on such Net Sales hereunder in accordance with clause 4A.4 above".

3. **ENTIRE AGREEMENT**

For the avoidance of doubt, this Amendment constitutes the entire agreement between the parties hereto in respect of the subject-matter hereof, and supersedes all prior agreements or understandings between the parties relating to the subject-matter hereof (including, any previous correspondence in this regard, between the parties, or on their behalf) and may be amended only by a written document signed by both parties hereto.

IN WITNESS WHEREOF the parties hereto have set their signatures:

for **YEDA RESEARCH AND DEVELOPMENT
COMPANY LIMITED**

Signature: /s/ Mudi Sheves /s/ Amir Naiberg

Name: Prof. Mudi Sheves Amir Naiberg

Title: Chairman CEO

Date: _____

for **PROCHON BIOTECH LIMITED**

Signature: /s/ Patrick O'Donnell

Name: Patrick O'Donnell

Title: CEO

Date: 4-7-10

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CONFIDENTIAL TREATMENT REQUESTED

COLLAGEN TECHNOLOGY TRANSFER AGREEMENT

This **Bovine Collagen Technology Transfer Agreement** (this “**Agreement**”) is entered into as of April 15, 2014 (“**Effective Date**”) by and between (i) **Histogenics Corporation**, a Delaware corporation having a principal place of business at 830 Winter Street, 3rd Floor, Waltham, MA 02451 (“**Histogenics**”), and **Advanced BioMatrix, Inc.**, a California corporation, having a principal place of business at 11880 Community Road, Suite 330, Poway, CA 92064 (“**ABM or Advanced BioMatrix**”). Histogenics and ABM shall hereinafter be individually referred to as a “**Party**” and collectively as the “**Parties**”.

RECITALS

- A. WHEREAS, Histogenics wants to acquire technology for Collagen material;
- B. WHEREAS, ABM has technology for Collagen material;
- C. WHEREAS, Histogenics desires to purchase Technology for Purpose (defined below) for the Field of Use (defined below) from ABM and ABM is willing to transfer such Collagen technology under the terms of this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the covenants contained herein, the above recitals, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. **DEFINITIONS**

1.1 “**Collagen**” shall mean collagen ***** solution approximately *****.

1.2 “*****” shall mean collagen in solution and represents *****.

1.3 “**Commercialization**” shall mean engaging in any and all activities directed to manufacturing of commercial supplies, marketing, promoting, distributing, offering for sale, selling, importing, exporting or exploiting a product, monetization, and conducting post marketing authorization approval studies.

1.4 “**Development**” shall mean engaging in preclinical and clinical development activities, including, but not limited to, discovery, test method development, toxicology, process development, manufacturing scale-up, development-stage manufacturing, analytical method validation, manufacturing process validation, cleaning validation, post-approval changes, quality assurance/quality control, statistical analysis, report writing, preclinical and clinical studies, regulatory filing submission and approval and regulatory affairs.

Confidential Page 1
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CONFIDENTIAL TREATMENT REQUESTED

1.5 “Field of Use” shall mean only uses limited exclusively to the field of orthopedics. To further clarify, the Field of Use shall not include any ****.

1.6 “Purpose” shall mean only for the use in Development and Commercialization including, without limitation, generation and/or implantation and use of engineered tissue and biomaterials.

1.7 “Technology” shall mean ABM’s **** relating primarily to the Collagen as set forth on Exhibit A attached hereto. Technology shall include ****. If Histogenics is required by FDA to produce **** then Technology shall also include ABM ****.

2. TECHNOLOGY TRANSFER

2.1 Technology Transfer. Subject to the terms and conditions of this Agreement, ABM hereby grants Histogenics a nonexclusive, nontransferable (except as otherwise expressly provided in Section 11.4), non-sublicensable (except as otherwise provided in Articles 4 and 5), perpetual, irrevocable, worldwide, royalty-free right and license to make, have made, develop, use, import, export, market, offer for sale, sell, have sold and otherwise exploit Collagen produced using Technology, and use the Technology, in any and all cases, solely for the Purpose limited to the Field of Use.

2.2 ABM will deliver to Histogenics **** outlined under Exhibit A.

2.3 ABM will further provide Technology via consultation, advice and information per Exhibit A and Exhibit B.

2.4 ABM will provide reasonable technical support in and/or for meetings with FDA in support of proposed Histogenics Type C meeting. This includes items listed in detail in Exhibit A.

3. PRICING AND PAYMENT

3.1 Histogenics will deliver payments to ABM of amounts owed as outlined under Exhibit B.

3.2 Price. The total price to be paid by Histogenics to ABM for the transfer and license of Collagen Technology and for the services to be provided under this Agreement is **** plus ABM expenses mutually agreed upon by Histogenics and ABM.

3.3 Payment. Histogenics shall pay to ABM in cash, the amounts as outlined per Exhibit B. All payments must be made in U.S. dollars. All prices hereunder are exclusive of, and Histogenics shall pay, all sales, use, VAT, and other consumption taxes, personal property taxes

and other taxes, other than taxes based on the net income of ABM.

4. PRODUCTION AND PRODUCT RESTRICTIONS

4.1 Product Sales to 3rd Party. Histogenics may only sell or transfer Collagen produced using Technology to a 3rd party for Purposes in the Field of Use. For clarification, Histogenics may not sell or transfer any Collagen produced using Technology to any 3rd party for any purpose other than for Purposes in the Field of Use.

4.2 3rd Party Production. Histogenics may only provide Technology to an affiliate or 3rd party for Purposes in the Field of Use. For clarification, Histogenics may not sell or transfer any Collagen**** Technology to any 3rd Party for any purpose other than the Purpose or for any field of use other than the Field of Use.

5. FUTURE CONSIDERATIONS

It is anticipated by Histogenics and ABM that there may be a need to expand the use and deployment of the Technology in the future, depending upon the development of the Histogenics business. These expansions will be negotiated diligently by the parties, acting reasonably and in good faith and this agreement will be appropriately amended in the future to address such future needs.

6. REPRESENTATIONS AND WARRANTIES

6.1 Technology. ABM represents and warrants that (i) it has full power and authority and rights to enter into this Agreement and to perform its obligations under this Agreement, including, without limitation, to provide Histogenics with the rights provided under this Agreement, (ii) ABM is under no contractual or other legal obligation that might interfere in any way with its performance under this Agreement (iii) to the best of ABM's knowledge, there are no threatened or pending actions, lawsuits, claims or arbitration or administrative proceedings in any way relating to the Technology, (iv) the list of ABM's technical knowledge, information, and description relating primarily to the Collagen that is set forth on Exhibit A attached hereto is materially complete and (v) any and all services to be provided by ABM under this Agreement will be provided in a professional and workmanlike manner. Except as expressly provided in this Agreement, (a) the Technology is provided by ABM "AS IS" with no warranties or representations of any kind and (b) without limiting the generality of the foregoing, ABM makes no warranties or guarantees as to the viability, longevity, applicability or ownership of the Technology.

7. LIABILITIES

7.1 Histogenics shall indemnify, defend and hold harmless ABM, its subsidiaries, affiliates, successors and assigns (the "ABM Indemnitees"), from any and all liability owed to third parties arising or resulting from third party claims against the ABM Indemnitees for ****. Histogenics' obligations under this Section are conditioned on (a) the

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party seeking indemnification providing prompt written notice thereof and reasonable cooperation, information, and assistance in connection therewith to Histogenics and (b) Histogenics having sole control and authority to defend, settle or compromise such claim.

8. INTELLECTUAL PROPERTY RIGHTS

8.1 Except for the rights and licenses expressly granted under this Agreement, ABM retains all rights and titles to any and all Technology associated with the transfer of Technology for Collagen to Histogenics.

9. CONFIDENTIALITY AND PUBLICITY

9.1 Confidentiality. The Mutual Confidentiality Agreement (“CDA”), previously entered into February 20, 2013 by Histogenics and ABM, shall remain in full force and effect, provided that (a) Histogenics may use and disclose Technology as permitted under this Agreement and (b) in the event of a conflict between the CDA and this Agreement, this Agreement will control.

9.2 Disclosure. To the extent that Histogenics reasonably determines that it is required to make a filing or any other public disclosure with respect to this Agreement and/or the transactions contemplated hereby to comply with the requirements, rules, laws or regulations of any applicable stock exchange, Nasdaq or any governmental or regulatory authority or body, including, without limitation, the U.S. Securities and Exchange Commission (the “SEC”) (collectively, the “Disclosure Obligations”), or if Histogenics reasonably determines that it is required to file a copy of this Agreement to comply with the Disclosure Obligations, Histogenics shall promptly inform ABM thereof, and prior to making any such disclosure or filing of a copy of this Agreement, the parties shall mutually agree on the provisions of this Agreement which the parties shall try to keep confidential by seeking confidential treatment, it being understood that if one party determines that it would like to seek confidential treatment for a provision for which the other party does not, then the parties will use reasonable efforts in connection with such filing to seek the confidential treatment of any such provision. The parties shall cooperate, at Histogenics’ request and reasonable expense, in such filing, including, without limitation, such confidential treatment request, and shall execute all documents reasonably required in connection therewith. The parties will reasonably cooperate in responding promptly to any comments received from the SEC with respect to such filing in an effort to achieve confidential treatment of such redacted form; provided, however, that a party shall be relieved of such obligation to seek confidential treatment for a provision requested by the other party if such treatment is not achieved after the first round of responses to comments from the SEC. Notwithstanding anything to the contrary in this Section, Histogenics may make a filing or any other public disclosure with respect to this Agreement to timely comply with its Disclosure Obligations, without the prior written consent or agreement of ABM, in the event that the parties are unable to mutually agree (i) on how the parties should respond to comments from the SEC regarding a confidential treatment request or (ii) otherwise with respect to how the disclosure or filing should be made (as applicable), provided Histogenics has used diligent and good faith efforts to try to come to an agreement with ABM with respect to the applicable matter prior to the deadline for such disclosure or filing. Notwithstanding anything to the contrary in this Agreement, Histogenics may make reference to the existence of this Agreement and describe in general terms

the relationship between the parties in connection with any required securities filings without seeking ABM's prior consent.

10. TERM AND TERMINATION

10.1 Term. This Agreement shall commence on the Effective Date and will continue in full force and effect unless Histogenics or ABM provides the other party with written notice of termination of this Agreement in accordance with Section 10.2.

10.2 Termination. Either Party may terminate this Agreement upon prior written notice if the other Party is in material breach of any material term or condition of this Agreement. Each such termination notice shall specify the material breach or material breaches in question and shall permit cure of such breach or breaches within a forty-five (45) day period commencing on the date the receiving party receives said notice of breach. If the material breach or material breaches in question are not cured within such forty-five (45) day period, the Party providing the termination notice shall be entitled to immediately terminate this Agreement by giving written notice thereof to the Party in material breach.

10.3 Survival. The following shall survive the expiration or any termination of this Agreement:

- (a) the provisions of Sections 2.1, 10.3 and 10.4 and Articles 4, 5, 6, 7, 8, 9 and 11;
- (b) any payment obligations of either Party accruing hereunder prior to the effective date of such termination; and
- (c) Any other provisions necessary to interpret the respective rights and obligations of the Parties hereunder.

10.4 If, during the term of this Agreement, ABM makes an assignment for the benefit of creditors, or shall go into liquidation or a receiver or trustee shall be appointed for its property, or if proceedings for voluntary bankruptcy are instituted on its behalf, or is declared bankrupt or insolvent by a court of competent jurisdiction, Histogenics may terminate this Agreement upon written notice to ABM or may retain its rights hereunder as provided in Section 365 of the United States Bankruptcy Code (the "Bankruptcy Code"). If this Agreement is rejected by or on behalf of ABM under Section 365 of the Bankruptcy Code, all licenses granted under or pursuant to this Agreement by ABM to Histogenics are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101(35A) of the Bankruptcy Code.

11. GENERAL PROVISIONS

11.1 Integration / Modification. This Agreement, together with all exhibits and attachments hereto, contains the entire understanding of the Parties with respect to the subject matter herein, and supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein. No trade customs, courses of dealing or courses of performance by the Parties shall be relevant to modify,

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supplement or explain any term(s) used in this Agreement. This Agreement may only be modified or supplemented, or a provision thereof waived, in a writing expressly stated for such purpose and signed by the Parties to this Agreement.

11.2 Relationship Between the Parties. In fulfilling its obligations pursuant to this Agreement, each Party shall be acting as an independent contractor. Neither Party is granted any right or authority to assume or to create any obligation or responsibility, express or implied, on behalf of or in the name of the other Party.

11.3 Non-Waiver. The failure of a Party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance.

11.4 Assignment. This Agreement is binding upon and inures to the benefit of the Parties to it, and to their successors. Neither Party shall have the right to assign this Agreement or any of the rights or obligations hereunder without the prior written consent of the other Party; provided, however, without such consent, each Party may assign this Agreement to an affiliate or a subsidiary or a successor (whether by sale of stock or assets, merger, consolidation or otherwise) to that area of its business to which this Agreement is related.

11.5 Severability. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not affect or impair, in whole or in part, the validity, enforceability or legality of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

11.6 Notices. Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, or by overnight courier, to the Party to be notified at its address(es) given below, or at any address such Party has previously designated by prior written notice to the other. Notice shall be presumptively deemed to be sufficiently given for all purposes upon the earlier of: (a) the date of actual receipt; (b) if mailed, three (3) calendar days after the date of postmark; or (c) if delivered by overnight courier, the next business day the overnight courier regularly makes deliveries.

If to Histogenics:

Histogenics Corporation
830 Winter Street, 3rd Floor
Waltham, MA 02451

If to ABM:

Advanced BioMatrix, Inc.
11880 Community Road, Suite 330
Poway, CA 92064

11.7 Force Majeure. Each Party shall be excused from liability for the failure or delay in performance of any obligation under this Agreement by reason of any event beyond such Party's reasonable control, including, but not limited to, Acts of God, fire, flood, explosion, earthquake, or other natural forces, war, civil unrest, accident, destruction or other casualty, or any lack or failure of transportation facilities. Such excuse from liability shall be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the Party has not caused such event(s) to occur. Notice of a Party's failure or delay in performance due to force majeure must be given to the other Party within three (3) calendar days after its occurrence, and such Party must use commercially reasonable efforts to overcome such failure or delay as soon as possible. All delivery dates under this Agreement that have been affected by force majeure shall be tolled for the duration of such force majeure.

11.8 Legal Fees. The prevailing Party in any litigation between the Parties relating to this Agreement will be entitled to recover its reasonable attorneys' fees and court costs, in addition to any other relief that it may be awarded.

11.9 Governing Law and Venue. Notwithstanding its place of execution or performance, this Agreement shall be governed by and construed in accordance with the laws of the State of Arizona, irrespective of its laws regarding choice or conflict of laws. -

11.10 Interpretation.

(a) Captions & Headings. The captions and headings of clauses contained in this Agreement preceding the text of the articles, sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction.

(b) Singular & Plural. All references in this Agreement to the singular shall include the plural where applicable, and all references to gender shall include both genders and the neuter.

(c) Articles, Sections & Subsections. Unless otherwise specified, references in this Agreement to any article shall include all sections, subsections, and paragraphs in such article; references in this Agreement to any section shall include all subsections and paragraphs in such sections; and references in this Agreement to any subsection shall include all paragraphs in such subsection.

(d) Days. All references to days in this Agreement shall mean calendar days, unless otherwise specified.

(e) Ambiguities. Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist.

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11.11 Counterparts; Facsimile and Electronic Signatures. This Agreement may be executed by exchange of signature pages by facsimile (including by .pdf) and/or or other “electronic signature” (as defined in the Electronic Signatures in Global and National Commerce Act of 2000) in a manner agreed upon by the Parties hereto; and/or in any number of counterparts, each of which shall be an original as against any Party whose signature appears thereon and all of which together shall constitute one and the same instrument.

11.12 Further Assurances. Each Party to this Agreement shall, at its own expense, furnish, execute, and deliver all documents and take all actions as may reasonably be required to effect the terms and purposes of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

HISTOGENICS CORPORATION

ADVANCED BIOMATRIX, INC.

By: /s/ Stephen Kennedy
Name: Stephen Kennedy
Title: SVP Manufacturing

By: /s/ ****
Name: ****
Title: ****

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CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT A

COLLAGEN TECHNOLOGY TRANSFER

**** ****
**** ****

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CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT B

MILESTONES AND PAYMENTS

<u>Milestones</u>	<u>Payment</u>
****	****
****	****
****	****
****	****
****	****

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EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of April 26, 2014, by and between Adam Gridley (the "Employee") and Histogenics Corporation, a Delaware corporation (the "Company").

1. Duties and Scope of Employment.

(a) **Position.** For the term of the Employee's employment under this Agreement (the "Employment"), the Company agrees to employ the Employee in the position of President and Chief Executive Officer. While he serves as Chief Executive Officer, the Employee shall be appointed as a member of the Company's board of directors (the "Board"). The Employee shall report to the Board.

(b) **Obligations to the Company.** During the Employee's Employment, the Employee (i) shall devote his full business efforts and time to the Company, (ii) shall not engage in any other employment, consulting or other business activity that would create a conflict of interest with the Company, (iii) shall not assist any person or entity in competing with the Company or in preparing to compete with the Company and (iv) shall comply with the Company's policies and rules, as they may be in effect from time to time. Notwithstanding the foregoing, the Employee may, subject to prior approval of the Board, participate in professional and charitable activities and serve on boards of directors and boards of advisors of businesses and non-profit organizations that do not compete with the Company, provided that such activities do not, individually or in the aggregate, interfere materially with the performance of the Employee's duties to the Company.

(c) **No Conflicting Obligations.** The Employee represents and warrants to the Company that the Employee is under no obligations or commitments, whether contractual or otherwise, that are inconsistent with the Employee's obligations under this Agreement. The Employee represents and warrants that the Employee will not use or disclose, in connection with his Employment, any trade secrets or other proprietary information or intellectual property in which the Employee or any other person has any right, title or interest and that his Employment will not infringe or violate the rights of any other person. The Employee represents and warrants to the Company that the Employee has returned all property and confidential information belonging to any prior employer.

(d) **Commencement Date.** The Employee shall commence full-time Employment on May 12, 2014 or earlier, if possible (such date, the "Commencement Date").

(e) **Definitions.** Certain capitalized terms are defined in Section 10.

2. Cash and Incentive Compensation.

(a) **Salary.** The Company shall pay the Employee as compensation a base salary at a gross annual rate of not less than \$350,000. Such salary shall be payable in accordance with the Company's standard payroll procedures.

(b) **Incentive Bonuses.** The Employee shall be eligible for an annual incentive bonus with a target amount equal to 40% of the Employee's Base Salary. Such bonus (if any) shall be awarded based on objective or subjective criteria established in advance by the Board or the Compensation Committee of the Board. The determinations of the Board or its Compensation Committee with respect to such bonus shall be final and binding. Any incentive bonus for a fiscal year shall in no event be paid later than 2 1/2 months after the close of such fiscal year. The Employee shall not be entitled to an incentive bonus if he is not employed by the Company on the date when such bonus is payable. The amount of any incentive bonus for the fiscal year in which the Employee's Employment begins shall be prorated, based on the number of days of Employment during such fiscal year.

(c) **Relocation Expenses.** The Company shall reimburse the reasonable expenses, not to exceed \$50,000, that the Employee incurs in moving himself, his family and his household to the Boston, Massachusetts area. To the extent that the reimbursement of such expenses results in taxable income to the Employee, the Company shall reimburse the Employee for the additional taxable income net of deductions. If the Employee voluntarily terminates his Employment prior to the first anniversary of the Commencement Date, then the Employee agrees to repay a pro-rata portion of the payments made by the Company under this Section 2(c) equal to the full amount of such payments less 1/12 of such payments for each full month of Employment completed.

(d) **Stock Option.**

Subject to the approval of the Board or the Compensation Committee of the Board, the Company shall grant the Employee an option to purchase 2,133,098 shares of the Company's Common Stock (the "Option"). The Option shall be granted as soon as reasonably practicable after the date of this Agreement. The per-share exercise price of the Option shall be equal to the fair market value per share of the Company's Common Stock on the date the Option is granted, as determined by the Board or its Compensation Committee. The term of the Option shall be 10 years, subject to earlier expiration in the event of the termination of the Employee's Employment. The grant of the Option shall be subject to the terms and conditions set forth in the Plan and in the Company's standard form of Stock Option Agreement. The Employee shall vest in 25% of the Option shares after the first 12 months of continuous service and shall vest in the remaining Option shares in equal monthly installments over the next three years of continuous service. Vesting of the Option shall accelerate in full if (i) the Company is subject to a Change in Control before the Employee's service with the Company terminates and (ii) the Employee is subject to an Involuntary Termination within 12 months after such Change in Control.

If, prior to an IPO, the Company completes the Third Tranche Financing and the Option represents less than 4.0% of the Company's Common Stock calculated on a Fully-Diluted Basis immediately following the closing of such Third Tranche Financing, then the Company shall, as soon as practicable following such closing, grant another option (the "Top-Off Option") to the Employee such that the Option and the Top-Off Option together represent 4.0% of the Company's outstanding Common Stock calculated on a Fully-Diluted Basis immediately following the closing of the Third Tranche Financing. The Top-Off Option shall be subject to the terms and conditions set forth in the Plan and in the Company's standard form of Stock Option Agreement. The vesting and other terms of the Top-Off Option shall be identical to those

of the Option except that the per-share exercise price of the Top-Off Option shall be equal to the fair market value per share of the Company's Common Stock on the date the Top-Off Option is granted, as determined by the Board of its Compensation Committee.

3. Vacation and Employee Benefits. During his Employment, the Employee shall be eligible for paid vacations in accordance with the Company's vacation policy, as it may be amended from time to time; provided, however, that in no event will the Employee be entitled to fewer than three weeks' paid vacation per year. During his Employment, the Employee shall also be eligible to participate in the employee benefit plans maintained by the Company, subject in each case to the generally applicable terms and conditions of the plan in question and to the determinations of any person or committee administering such plan.

4. Business Expenses. During his Employment, the Employee shall be authorized to incur necessary and reasonable travel, entertainment and other business expenses in connection with the Employee's duties hereunder. The Company shall reimburse the Employee for such expenses upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally applicable policies. Any reimbursement shall (a) be paid promptly but not later than the last day of the calendar year following the year in which the expense was incurred, (b) not be affected by any other expenses that are eligible for reimbursement in any calendar year and (c) not be subject to liquidation or exchange for another benefit.

5. Term of Employment.

(a) **Employment at Will.** The Employee's Employment with the Company shall be "at will," meaning that either the Employee or the Company shall be entitled to terminate the Employee's Employment at any time and for any reason, with or without Cause. Any contrary representations that may have been made to the Employee shall be superseded by this Agreement. This Agreement shall constitute the full and complete agreement between the Employee and the Company on the "at will" nature of the Employee's Employment, which may only be changed in an express written agreement signed by the Employee and a duly authorized officer of the Company. The termination of the Employee's Employment shall not limit or otherwise affect his obligations under Section 7 below.

(b) **Rights upon Termination.** Except as expressly provided in Section 6 below, upon the termination of the Employee's Employment, the Employee shall be entitled only to the compensation, benefits and expense reimbursements that the Employee has earned under this Agreement before the effective date of the termination. The payments under this Agreement shall fully discharge all responsibilities of the Company to the Employee.

6. Termination Benefits.

(a) **Preconditions.** Any other provision of this Agreement notwithstanding, the remaining Subsections of this Section 6 shall not apply unless each of the following requirements is satisfied:

(i) The Employee has executed a general release of all claims in a form reasonably prescribed by the Company. In such form, the Employee

shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination. The Employee shall execute and return the release on or before the date specified by the Company in the prescribed form (the "Release Deadline"). The Release Deadline shall in no event be later than 50 days after the Employee's Separation. If the Employee fails to return the release on or before the Release Deadline, or if the Employee revokes the release, then the Employee shall not be entitled to the benefits described in this Section 6.

(ii) The Employee has returned all property of the Company in the Employee's possession.

(iii) If requested by the Board, the Employee has resigned as a member of the Board and as a member of the boards of directors of all subsidiaries of the Company, to the extent applicable.

(b) **Severance Pay.** If, during the term of this Agreement, the Employee is subject to an Involuntary Termination, then the Company shall pay the Employee an amount equal to the Employee's Base Salary for a period of 12 months following the Separation (the "Continuation Period"). Such severance payments shall be paid at the Base Salary rate in effect at the time of the Separation and in accordance with the Company's standard payroll procedures. The severance payments shall commence within 60 days after the Employee's Separation and, once they commence, shall include any unpaid amounts accrued from the date of the Employee's Separation. However, if the 60-day period described in the preceding sentence spans two calendar years, then the payments shall in any event begin in the second calendar year. In addition, the Company shall pay the Employee any accrued benefits, including earned but unpaid salary, earned but unpaid incentive bonuses, accrued and unused vacation time, unreimbursed business expenses, and any vested benefits under the Company's benefit plans.

(c) **Health Insurance.** If, during the term of this Agreement, the Employee is subject to an Involuntary Termination, and if the Employee elects to continue health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") for the Employee and, if applicable, his dependents following the Separation, then the Company shall pay the employer portion of the monthly premium under COBRA for the Employee and, if applicable, such dependents until the earliest of (i) the close of the Continuation Period, (ii) the expiration of the Employee's continuation coverage under COBRA or (iii) the date when the Employee receives substantially equivalent health insurance coverage in connection with new employment or self-employment.

(d) **Waiver of "Cliff" Vesting.** If the Employee is subject to an Involuntary Termination during the first year of his Employment and prior to a Change in Control, then, notwithstanding anything to the contrary in this Agreement, the Option and, if applicable, the Top-Off Option will be deemed to be vested with respect to 1/48th of the shares subject to the Option and, if applicable, the Top-Off Option for each month of Employment completed by the Employee prior to such Involuntary Termination.

7. Confidential Information and Intellectual Property Assignment Agreement. The Employee shall enter into a Confidential Information and Intellectual Property Assignment Agreement in the form attached as Exhibit A, which is incorporated herein by this reference.

8. Successors.

(a) **Company's Successors.** This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which becomes bound by this Agreement.

(b) **Employee's Successors.** This Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. Definitions. The following terms shall have the meaning set forth below wherever they are used in this Agreement:

(a) **Base Salary.** The term "Base Salary" shall mean the annual compensation specified in Section 2(a), together with any increases in such compensation that the Company may grant from time to time.

(b) **Cause.** The term "Cause" shall mean a good faith determination by the Board of any of the following:

(i) An unauthorized use or disclosure by the Employee of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company;

(ii) A material breach by the Employee of any agreement between the Employee and the Company;

(iii) A material failure by the Employee to comply with the Company's written policies or rules after receiving written notification of such failure from the Board;

(iv) The sale, possession or use of illegal drugs by the Employee or habitual intoxication of the Employee on the premises of the Company or a customer or business partner of the Company or while conducting Company business;

(v) The Employee's conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State thereof;

(vi) The Employee's gross negligence or willful misconduct in the course of performing service to the Company that results in material harm to the Company;

(vii) A continuing and willful failure by the Employee to perform reasonably assigned duties after receiving written notification of such failure from the Board; or

(viii) A failure by the Employee to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested the Employee's cooperation.

Notwithstanding the foregoing, prior to any determination that "Cause" under this Agreement has occurred, the Board shall (A) provide the Employee written notice specifying the particular event or action giving rise to such determination and (B) if such event or action is capable of being cured in the Board's reasonable determination, provide the Employee with 15 days from the date of such written notice to cure such event or action.

(c) **Change in Control.** The term "Change in Control" shall have the meaning ascribed to it in the Plan.

(d) **Code.** The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) **Fully-Diluted Basis.** The term "Fully-Diluted Basis" shall mean that the total number of issued and outstanding shares of the Company's Common Stock shall be calculated to include conversion of all issued and outstanding securities then convertible into Common Stock, the exercise of all then outstanding options and warrants to purchase shares of Common Stock, and shall assume the issuance or grant of all securities reserved for issuance pursuant to the Plan or any other equity compensation plan of the Company in effect on the date of the calculation.

(f) **Involuntary Termination.** The term "Involuntary Termination" shall mean either (a) the Employee's Termination Without Cause or (b) the Employee's Resignation for Good Reason.

(g) **IPO.** The term "IPO" shall mean the Company's first underwritten public offering of its Common Stock under the Securities Act of 1933, as amended.

(h) **Plan.** The term "Plan" shall mean the Histogenics Corporation 2012 Equity Incentive Plan.

(i) **"Resignation for Good Reason"** means a Separation as a result of the Employee's resignation after one of the following conditions has come into existence without the Employee's consent:

(i) A material reduction in the Employee's Base Salary;

(ii) A change in the Employee's title or position with the Company that materially reduces the Employee's level of authority or responsibility;

(iii) A relocation of the Employee's principal workplace by more than 40 miles; or

(iv) A material breach by the Company of its obligations under this Agreement.

A Resignation for Good Reason shall not be deemed to have occurred unless the Employee gives the Company written notice of the condition within 15 days after the condition comes into existence and the Company fails to remedy the condition within 15 days after receiving the Employee's written notice.

(j) **Separation.** The term "Separation" shall mean a "separation from service," as defined in the regulations under Section 409A of the Code.

(k) "**Termination Without Cause**" means a Separation as a result of a termination of the Employee's employment by the Company without Cause, provided the Employee is willing and able to continue performing services within the meaning of Treasury Regulation 1.409A-1(n)(1).

(l) "**Third Tranche Financing**" means the sale by the Company after the date of this Agreement of up to 10,323,980 shares of Series A-1 Preferred Stock pursuant to Section 1.2(c) of that certain Amended and Restated Series A and A-1 Preferred Stock Purchase Agreement dated as of December 18, 2013 by and among the Company and the other parties named therein.

10. Indemnification and D&O Insurance. The Employee shall enter into the Company's standard Indemnification Agreement for its directors and officers. During the term of the Employee's Employment, the Employee will be named as an insured on the directors' and officers' liability insurance policy currently maintained, or as may be maintained by the Company from time to time, at the same level of coverage applicable to active directors and officers.

11. Miscellaneous Provisions.

(a) **Notice.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered, when delivered by FedEx with delivery charges prepaid, or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) **Modifications and Waivers.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer or director of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with,

any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) **Whole Agreement.** This Agreement supersedes all other agreements, representations or understandings (whether oral or written and whether express or implied) that are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement and the Confidential Information and Intellectual Property Assignment Agreement contain the entire understanding of the parties with respect to the subject matter hereof.

(d) **Tax Matters.** All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law. For purposes of Section 409A of the Code, each periodic salary continuation payment under Section 6(b) is hereby designated as a separate payment. If the Company determines that the Employee is a "specified employee" under Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder at the time of his Separation, then (i) the salary continuation payments under Section 6(b), to the extent that they are subject to Section 409A of the Code, shall commence on the first business day following (A) expiration of the 6-month period measured from the Employee's Separation or (B) the date of the Employee's death and (ii) the installments that otherwise would have been paid prior to such date shall be paid in a lump sum when such salary continuation payments commence. The Company shall not have a duty to design its compensation policies in a manner that minimizes the Employee's tax liabilities.

(e) **Choice of Law and Severability.** This Agreement shall be interpreted in accordance with the laws of the Commonwealth of Massachusetts (except their provisions governing the choice of law). If any provision of this Agreement becomes or is deemed invalid, illegal or unenforceable in any applicable jurisdiction by reason of the scope, extent or duration of its coverage or any other reason, then such provision shall be deemed amended to the minimum extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be stricken and the remainder of this Agreement shall continue in full force and effect. If any provision of this Agreement is rendered illegal by any present or future statute, law, ordinance or regulation (collectively the "Law"), then such provision shall be curtailed or limited only to the minimum extent necessary to bring such provision into compliance with the Law. All the other terms and provisions of this Agreement shall continue in full force and effect without impairment or limitation.

(f) **No Assignment.** This Agreement and all rights and obligations of the Employee hereunder are personal to the Employee and may not be transferred or assigned by the Employee at any time. The Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with any sale or transfer of all or a substantial portion of the Company's assets to such entity.

(g) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

/s/ Adam Gridley

Adam Gridley

HISTOGENICS CORPORATION

By: /s/ Garheng Kong, M.D., Ph.D.

Title: Chairman

Exhibit A

Confidential Information and Intellectual Property Assignment Agreement

(attached)

**CONFIDENTIAL INFORMATION AND
INTELLECTUAL PROPERTY ASSIGNMENT AGREEMENT**

This Confidential Information and Intellectual Property Assignment Agreement (hereafter referred to as “Agreement”) dated as of April 26, 2014 by and between HISTOGENICS CORPORATION (hereinafter referred to as the “Company”), a Delaware Corporation having a place of business at 830 Winter Street, Waltham, MA 02451, and Adam Gridley (hereinafter referred to as the “Employee”), a United States citizen/legal resident having a residence at 1095 Lawrence Avenue, Lake Forest, IL 60045.

The Company has requested that the Employee execute this Agreement, and the Employee has agreed to execute this Agreement as part of the terms of Employee being hired, or continued employment of Employee, by the Company;

The Company possesses certain Confidential Information, as defined below in Section 1.5 of this Agreement, that is confidential and proprietary to the Company;

The Employee may receive or come into possession of Confidential Information from time to time to carry out the Employee’s duties under the direction of the Company;

In furtherance of the foregoing, and in consideration of employment of Employee by the Company, the Company and the Employee agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the following terms shall have the following meanings:

1.1 “Company” means HISTOGENICS CORPORATION, its present or future subsidiaries and any entity owned or controlled by or under common control, including any businesses that may be acquired or established after the execution of this Agreement and employment with the Company, and any successor-in-interest thereto or assignee thereof.

1.2 “Business of the Company” includes any services or products (including both generic and specific products) used, made, sold, offered for sale, developed, commenced or planned to be sold by the Company at any time during the Employee’s employment or used, made, sold, offered for sale, developed, commenced or planned to be sold by the Company using Confidential Information, Intellectual Property or Work Product after termination of the Employee’s employment either by the Employee or the Company.

1.3 “Person” and “Persons” mean all individuals, partnerships, corporations, limited liability companies, firms, businesses, organizations and other entities.

1.4 “Field of Research” means the development of procedures and products related to *ex corpus*, *in situ*, *in vitro* or *in vivo* growth of cells or tissue for use in a mammalian body such as the human body, including, by way of example and without limitation, methods of cartilage, ligament and tendon culture, autologous cultured cell technology, the biology of chondrocyte implantation, the applicability of such technology in the treatment of new indications and disease states, the development and identification of new indications and usages for the Company’s products and procedures, and any and all other procedures and products associated or used with *ex corpus*, *in situ*, *in vitro* or *in vivo* growth of cells or tissue for use in a mammalian body.

1.5 “Confidential Information” means:

(a) All information, ideas, trade secrets and all other confidential and proprietary information of the Company, including without limitation any and all information relating in any manner whatsoever to the Field of Research or the Business of the Company, financial information of the Company, the terms and formats of the Company’s contracts and agreements, information pertaining to the Company’s methods of operation, processes, strategies and techniques, customer lists, customer information, and information relating to employees of the Company, including but not limited to employees’ identities, home and business telephone and pager numbers, and addresses;

(b) Provided that the information: (i) becomes known to Employee as a consequence of Employee’s employment with the Company, or was wrongfully obtained by Employee, regardless of whether the information became known to Employee during or after working hours, or whether the information came into the Company’s possession through the efforts of Employee or others; and (ii) is not readily available to the public; and

(c) The definition of “Confidential Information” is intended to have the broadest meaning as permitted by law and extends beyond the definition of “trade secrets” as set forth in the Uniform Trade Secrets Act.

1.6 “Employee” means the individual signing this Agreement who is either currently employed by the Company or becoming an employee of the Company concurrently with the execution of this Agreement.

1.7 “Intellectual Property” means any and all ideas, Inventions, know how, improvements, discoveries, techniques, processes, original works of authorship, trade secrets and other subject matter developed or made by the Employee (solely or jointly with others) that may be protected, at least in part, by one or more of a patent, trademark, copyright, trade secret, trade dress or other legal protection in the United States or in any foreign country.

1.8 “Inventions” means any and all discoveries, concepts, ideas, whether patentable or not patentable, including but not limited to processes, methods, formulae, software,

techniques, algorithms, cells, tissues, organs, cell cultures, cell parts, organisms, natural or non-naturally occurring genetic materials such as DNA constructs, products, such as proteins, antibodies and the like, that are derived from or produced using natural or non-naturally occurring genetic materials, as well as improvements thereof or know-how related thereto, concerning any present or prospective activities of the Company with which the Employee becomes acquainted or gains knowledge of as a result of the Employee's employment by the Company.

1.9 "Competing Organization" means any Person engaged in or about to become engaged in research on, development of, production, marketing, selling of, or offering for sale a Competing Product.

1.10 "Competing Product" means any product, process, good or service of any Person other than the Company, in existence or under development, which competes directly with a product, process, good or service on or with which the Employee has worked for the Company or about which the Employee has Confidential Information.

1.11 "Work Product" means designs, drawings, software, photographs, plans, records, improvements, ideas and other subject matter relating thereto that is not considered by the Company to be Intellectual Property.

2. EMPLOYEE'S REPRESENTATIONS AND AGREEMENTS

2.1 Confidential Information and Goodwill: Solely as a result of employment with the Company, Employee will be given access to, become familiar with, and will acquire knowledge of the Company, its employees, operations, methods, sources of supply, financial information, the Field of Research, the Business of the Company and other Confidential Information of the Company. The Confidential Information has been and will continue to be developed through the Company's investment of substantial time, effort and money. Employee recognizes that disclosure or use of Confidential Information for any purpose to any third party or Competing Organization would be greatly prejudicial and detrimental to the Company and would cause the Company to suffer immediate and irreparable injury. Employee further recognizes that Employee is in a position to unfairly convert or otherwise use the Company's business and goodwill for use by Employee and a Competing Organization to produce, make, have made, sell, offer for sale, or import a Competing Product, and that such conversion or use would be greatly prejudicial to the Company, and would cause the Company to suffer immediate and irreparable injury.

2.2 Ownership of Employee Work Product: The Company and Employee agree:

(a) that the Company shall own in its entirety and have the entire right to use, made, have made, sell, offer for sale or import without the payment to the Employee of any royalty or amount or the provision of any consideration to Employee, other than continued employment of the Employee by the Company, all Work Product and all results of the performance by Employee of Employee's duties and responsibilities as an employee of the Company. Employee specifically agrees that any Work Product made or

conceived by Employee during the period of employment of Employee by the Company shall be delivered to and become the property of the Company; and

(b) that Employee is obligated to assign and will assign all right, title and interest in and to the Work Product to the Company, without the payment of any royalty or amount or the provision of any consideration to the Employee other than continued employment by the Company.

2.3 Employee Intellectual Property: Employee agrees that with respect to Intellectual Property made or conceived by the Employee, whether or not during the hour of Employee's engagement or with the use of assistance of any Company facility, material, or personnel, either solely or jointly with others during Employee's employment with the Company or within one year after termination of such employment, without payment, royalty or any other consideration to the Employee other than Employee's wages or salary, therefore:

(a) The Employee shall inform the Company promptly and fully of all such Intellectual Property by written reports, setting forth in detail the procedures, steps, materials and the like employed and the results achieved. The Employee shall submit an invention disclosure report promptly after completion of any studies or research projects undertaken on the Company's behalf, or funded at least in part by the Company, whether or not in the Employee's opinion or view a given project has resulted in any Invention;

(b) The Employee hereby transfers, assigns and agrees to assign to the Company, without any royalty, payment or consideration other than Employee's wages or salary which shall be considered full and adequate consideration, his or her entire right, title and interest in and to all Intellectual Property and to applications for United States and foreign patent applications and patents granted thereon and to any trademarks, trade dress or copyrightable material related thereto;

(c) The Employee agrees for himself or herself and his or her heirs, representatives, successors in interest, and assigns, upon request of the Company, at all times to perform such acts, such as providing testimony in support of the Employee's inventorship and to execute and deliver promptly to the Company such papers, instruments and documents, without expense to him or her, as from time to time may be necessary or useful in the Company's opinion to apply for, secure, maintain, enforce, reissue, extend or defend the Company's worldwide rights in any Intellectual Property so as to secure to the Company the full benefits of the Intellectual Property and otherwise to carry into full force and effect the text and the assignment described above;

(d) The Employee warrants and represents to the Company that he or she is not subject to any agreement, government contract, government grant or university policy inconsistent with this Agreement. The Employee agrees not to conduct any research or other work subject to this Agreement other than at the Company's facilities and further agrees not to use any such research facilities, materials or personnel of any university or other Person not rented, leased or otherwise hired by the Company in connection with such work; and

(e) The Employee acknowledges that any copyrightable work created by Employee during the period of Employee's employment relationship with the Company shall be considered a work made for hire, and rights therein shall be the exclusive property of the Company as author and owner of the copyright in and to such work.

2.4 Shop Rights: Notwithstanding any provision herein that may create greater rights, Employee acknowledges that the Company shall have the royalty-free right to use in its business, and to make, have made, use, sell, offer for sale or import products, processes and services derived from or related to any Intellectual Property or Work Product that are made or conceived by the Employee during his or her employment by the Company or with the use or assistance of the Company's facilities or funded, at least in part, with Company funds.

3. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION: At no time, either during or after the termination of employment, shall Employee directly or indirectly obtain, disclose, reveal or use for Employee or any Person or Competing Organization, or aid others in obtaining, disclosing, revealing or using any Confidential Information of the Company, other than (a) as may be required in the performance of duties for the Company, (b) as authorized by the Company or (c) as may be required to comply with any court order or other legal requirement that purports to compel disclosure of such Confidential Information. All Confidential Information is and shall remain the sole property of the Company.

4. NONDISCLOSURE OF OTHER INFORMATION: The Company and Employee acknowledge and agree that:

(a) Employee may be aware of certain other confidential information of one or more third parties (the "Third Party Confidential Information").

(b) The Company and Employee further acknowledge and agree that the Company has not requested that Employee disclose to the Company any Third Party Confidential Information and, in fact, the Company requires that Employee refrain at all times during the period of the employment relationship between the Company and Employee from using, disclosing or revealing to the Company any Third Party Confidential Information.

(c) Employee agrees that at all times during the period of the employment relationship between Employee and the Company, Employee shall refrain from using, disclosing or revealing to the Company any Third Party Confidential Information, except as may be required to comply with any court order or other legal requirement that purports to compel disclosure of such Third Party Confidential Information.

5. NON-SOLICITATION COVENANT: During Employee's employment and for the one (1) year period following the termination thereof, Employee will not:

(a) directly, on behalf of Employee or for any other Person (other than the Company), hire, entice, induce, encourage or solicit, or attempt to hire, entice, induce, encourage or solicit any employee to leave the Company's employ (other than by means of general solicitations not specifically directed or targeted at employees of the Company); or

(b) directly cause or attempt to cause any employee of the Company to become employed by any Person associated with a Competing Organization or engaged in the Business of the Company; or

(c) solicit or accept business, directly or indirectly, related to product or services competitive with those of the Company, from any of the Company's customers with whom the Employee has contact within one (1) year prior to Employee's termination.

6. NON-COMPETE COVENANT: Employee agrees that for a period of one (1) year after termination of employment, Employee will not compete directly with the Company in the Field of Cartilage Regeneration and Repair. Competition includes, but is not limited to, the design, development, production, promotion, offering for sale or sale of product or services competitive with those of the Company in the Field of Cartilage Regeneration and Repair.

7. RETURN OF COMPANY PROPERTY AND CONFIDENTIAL INFORMATION: All records, files photo/videographic materials, customer lists, supplier lists, software, keys, equipment, credit cards or other tangible material, and all other documents, including but not limited to Confidential Information, relating to the Business of the Company (collectively "property") that Employee receives, acquires, produces or has access to during employment, are the exclusive property of the Company. Upon termination of Employee's employment, Employee shall return to the Company all property and all Confidential Information of the Company and all copies thereof in Employee's possession or control regardless of how such property or Confidential Information is obtained or maintained. Notwithstanding the foregoing, the Employee may retain his address books/rolodex, compensation records and information relating to benefit plans in which Employee is a participant.

8. REMEDIES FOR BREACH: Employee agrees that any breach of this Agreement by Employee will cause the Company to suffer immediate and irreparable injury, for which there is no adequate remedy at law. In the event of a breach or threatened breach of any of the terms of the Agreement, the Company shall be entitled to seek and obtain enforcement of this Agreement in a court of competent jurisdiction by means of a decree of specific performance, an injunction without posting a bond or the requirement of any other guarantee, and any other form of equitable relief. Employee consents to the entry of such an order. This provision is in addition to and does not replace any other remedies the Company may have at law or in equity, including the right to receive monetary damages.

9. SURVIVAL; SEVERABILITY AND ENFORCEABILITY: This Agreement shall survive the termination of Employee's employment with the Company. It is the intention of the parties that this Agreement shall be enforceable to the fullest extent allowed by law. This Agreement is devisable and separable so that if any provision shall be held to be invalid, unlawful or enforceable, such holding shall not impair the remaining provisions. If any provision is held to be too broad or unreasonable in duration, scope or character of restriction to be enforced, such provision shall be amended or modified (including "blue pencilled") to the extent necessary to legally enforce such provision to the fullest extent permitted by law. This Agreement, including the rights and obligations hereunder including all rights of enforcement, may be transferred and/or assigned to the Company.

10. EMPLOYEE'S OPPORTUNITY OF INDEPENDENT REVIEW OF THIS AGREEMENT PRIOR TO EXECUTION: Employee acknowledges that he or she has been provided the opportunity by the Company to have this Agreement reviewed by an attorney or counsel of Employee's own choosing prior to signing this Agreement.

11. APPLICABLE LAW: This Agreement shall be construed and governed for all purposes under the laws of the Commonwealth of Massachusetts without regard to conflict of law principles.

12. ENTIRE AGREEMENT: This Agreement constitutes the entire understanding between the parties and supersedes all prior understandings, oral or written discussions and representations ever made, and agreements executed by Employee relating to this subject matter. No amendment, waiver or revocation of this Agreement shall be effective unless set forth in writing expressly stating the amendment, waiver or revocation and signed by Employee and an authorized officer of the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year noted above.

For: ADAM GRIDLEY

For: HISTOGENICS CORPORATION

/s/ Adam Gridley _____

By: /s/ Garheng Kong, M.D., Ph.D. _____

4/28/2014 _____

Chairman _____

Date

Title

**GUNDERSON DETTMER STOUGH
VILLENEUVE FRANKLIN & HACHIGIAN, LLP
850 WINTER STREET
WALTHAM, MA 02451
TELEPHONE: (781) 890-8800 FACSIMILE: (781) 622-1622**

May 16, 2014

VIA EDGAR AND OVERNIGHT COURIER

Securities and Exchange Commission
Division of Corporation Finance
100 F. Street, N.E.
Washington, D.C. 20549
Attention: Amanda Ravitz
 Jay Mumford
 Daniel Morris

**Re: Histogenics Corporation
Amendment to Confidential Draft Registration Statement on Form S-1
Submitted April 11, 2014
CIK No. 00001372299**

Dear Ms. Ravitz:

On behalf of Histogenics Corporation (the "Company"), we submit this letter in response to comments from the staff (the "Staff") of the Securities and Exchange Commission (the "Commission") received by letter dated April 25, 2014 relating to the Company's Amendment to Confidential Draft Registration Statement on Form S-1, confidentially submitted on April 11, 2014 (the "Draft Registration Statement").

On behalf of the Company, we are also confidentially submitting via EDGAR an amendment to the Draft Registration Statement on Form S-1 (the "Registration Statement"), and for the convenience of the Staff, we are providing to the Staff by overnight delivery copies of this letter and marked copies of the Registration Statement (against the Draft Registration Statement).

In this letter, we have recited the written comments from the Staff in italicized, bold type and have followed each comment with the Company's response.

Overview, page 1

1. ***In order to provide context for the ensuing summary discussion, please disclose in the opening paragraph of the summary your net losses, any significant anticipated cash needs and the going concern opinion issued by your auditor.***

RESPONSE TO COMMENT 1:

The Company acknowledges the Staff's comment. We have disclosed the requested information in the Risks Related to Our Business section of the Prospectus Summary, where we believe this information is most relevant and typically found.

- We note your revisions to the summary in response to our comments. However, it is inappropriate to emphasize wide-ranging potential applications for your regenerative medicine platform, when that platform currently has only one application (NeoCart). Please revise your first paragraph to identify your current product candidate in clinical trials rather than implying that you currently have multiple products treating musculoskeletal-related conditions. Also, please revise throughout to clarify, if true, that your platform is limited to soft tissue treatment, as indicated in the last paragraph on page 2. Make corresponding revisions in your Business section, as appropriate.*

RESPONSE TO COMMENT 2:

The Company acknowledges the Staff's comment and has revised the applicable section of the Registration Statement accordingly.

- We note that you do not clearly state in the first or second paragraph that your NeoCart product is not yet approved by the FDA as previously requested. Please revise accordingly.*

RESPONSE TO COMMENT 3:

The Company acknowledges the Staff's comment and has revised the applicable section of the Registration Statement accordingly.

- We note that you continue to highlight the positive aspects of your business and technology, without describing your shortcomings and challenges. For example, we note the last sentence in the second paragraph of the summary where you discuss the results of the NeoCart process. Since you have only limited clinical data supporting your product's efficacy, it is unclear how you believe it is appropriate to make unbalanced statements regarding your product's performance. Make appropriate revisions here and in your expanded disclosure which appears in the Business section.*

RESPONSE TO COMMENT 4:

The Company acknowledges the Staff's comment and has revised the applicable sections of the Registration Statement accordingly.

- We note your response to our prior comment 5 regarding your phase 1 and phase 2 trials. Please quantify and more fully describe the "statistically significant improvement" shown in phase 2 so that investors may better understand the nature and extent of any advances. In addition, please expand your disclosure to explain when those trials took place.*

RESPONSE TO COMMENT 5:

The Company acknowledges the Staff's comment and has revised the applicable sections of the Registration Statement accordingly.

6. *We note your response to prior comment 6, yet it remains unclear how you intend to implement the phase 3 clinical trial. For example, please explain the steps involved in the trial, how you intend to finance the trial and whether the proceeds from this offering will be sufficient to operate your business through the trial.*

RESPONSE TO COMMENT 6:

The Company acknowledges the Staff's comment and has revised the applicable sections of the Registration Statement accordingly.

7. *We note your disclosure in the second to last paragraph on page 2 that you intend to manufacture all your products in-house. Please expand your disclosure, where appropriate, to describe the reasons for the timing of this move.*

RESPONSE TO COMMENT 7:

The Company acknowledges the Staff's comment and has revised the applicable sections of the Registration Statement accordingly.

Phase 3 Clinical Trial, page 82

8. *We note your response to our prior comment 16. However, it remains unclear why you believe it appropriate to use a one year endpoint. Please revise or advise.*

RESPONSE TO COMMENT 8:

The Company acknowledges the Staff's comment and has revised the applicable sections of the Registration Statement accordingly. Additionally, a one-year superiority endpoint was deemed appropriate for our Phase 3 clinical trial as part of the Company's entrance into the special protocol assessment with the FDA.

NeoCart Manufacturing Process, page 89

9. *We note your response to prior comment 19. However, it remains unclear what steps in your manufacturing process require third party assistance. Please clarify.*

RESPONSE TO COMMENT 9:

The Company acknowledges the Staff's comment and has revised the applicable sections of the Registration Statement accordingly.

10. *We note your response to our prior comment 20, yet it remains unclear why you are unable to identify the 25.16% “other holders not listed above.” Please revise or advise. Also, please tell us how you will transfer the shares prior to effectiveness. For example, what if the offering size changes after effectiveness? Also please clarify whether there will be any selling stockholders and whether that could change the number of shares transferred.*

RESPONSE TO COMMENT 10:

The Company acknowledges the Staff’s comment and has expanded its discussion of additional shares to be issued upon completion of the initial public offering to explain which investors would be issuing the shares to Purpose as requested. The Company notes that sufficient shares of the Company’s Preferred Stock are being held in escrow pursuant to the stock purchase agreement under which the Company’s Series A-1 Preferred Stock was sold in order to ensure the necessary number of shares of its Common Stock can be quickly and easily transferred by the obligated stockholders to Purpose Co., Ltd. upon the effectiveness of the Registration Statement. We have not included in the Registration Statement the complete list of stockholders to transfer shares to Purpose Co., Ltd. required because their disclosure is not otherwise required as they are neither affiliates nor beneficial owners of five percent or more of the Company’s outstanding Common Stock (on an as-converted basis). Additionally, Exhibit 4.2 (Second Amended and Restated Stockholders’ Agreement dated as of December 18, 2013) to the Registration Statement includes a breakdown of the percentage of consideration allocated to each stockholder pursuant to the Company’s agreement with Purpose Co., Ltd. For the Staff’s convenience, below is the complete list of stockholders and the percentage of the consideration allocated to each stockholder pursuant to the Company’s agreement with Purpose Co., Ltd.

<u>Name of Beneficial Owner</u>	<u>Percentage of Consideration Allocated under Purpose Agreement</u>
ProChon Holdings BV	30.94%
Sofinnova Venture Partners VIII, L.P.	15.86%
Split Rock Partners II, LP	10.58%
Altima Restructure Fund Limited	8.14%
Entities Affiliated with Boston Millennia Partners	9.05%
Kevin Rakin and Affiliates	0.27%
FinTech Global	3.06%
BMV Direct LLC	2.00%
Foundation Medical Partners II, L.P.	5.03%
Inflection Point Ventures II, L.P.	1.77%
Gene McGrevin	2.15%
Wilmslow Estates Limited	0.27%
Ian Rosenberg	0.38%

<u>Name of Beneficial Owner</u>	<u>Percentage of Consideration Allocated under Purpose Agreement</u>
Arnold E. Freedman	3.50%
Mark C. Butts	3.50%
Oded Ben-Joseph	3.50%

Certain Relationships and Related Party Transactions, page 126

11. *Revise this section, as appropriate, to clarify which milestones have been met and which have not.*

RESPONSE TO COMMENT 11:

The Company acknowledges the Staff's comment and has revised the applicable sections of the Registration Statement accordingly.

[Remainder of page intentionally left blank.]

* * * * *

Please do not hesitate to contact me at (781) 795-3555 if you have any questions or would like additional information regarding this matter.

Very truly yours,

GUNDERSON DETTMER STOUGH
VILLENEUVE FRANKLIN & HACHIGIAN LLP

By: /s/ Marc Dupré

cc: Adam Gridley
Kevin McArdle
Richard Blake
Keith Scherer